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SUPPLEMENTAL SUMMARY—FISCAL YEAR 1987 BUDGET

COMMUNICATION

FROM

THE DIRECTOR, THE OFFICE OF MANAGEMENT AND BUDGET

TRANSMITTING

A SUPPLEMENTARY SUMMARY OF THE FISCAL YEAR 1987 BUDGET, PURSUANT TO 31 U.S.C. 1106(a)(1)

AUGUST 6, 1986.—Referred to the Committee on Appropriations and ordered to be printed

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

AUG 06 1986

Honorable Thomas P. O'Neill
Speaker of the House of
Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Section 201 of the Budget and Accounting Act of 1921, as amended, requires that the President transmit to the Congress a supplemental summary of the budget that was transmitted to the Congress earlier in the year. The supplemental summary of the 1987 budget contains:

-- revised budget summaries and projections for fiscal years 1986-1991;

-- economic assumptions underlying the budget data;

-- a summary of estimated outlays in each of the first four years after fiscal year 1987 that will be required under continuing programs that have a legal commitment for future years or are considered mandatory under existing law; and

-- a summary of estimated outlays in future years from balances carried over from fiscal year 1987.

At the President's direction, I have the honor to transmit herewith the required supplemental summary of the fiscal year 1987 budget.

Sincerely yours,

James C. Miller III
Director

Enclosure

IDENTICAL LETTER SENT TO HONORABLE GEORGE BUSH

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

August 6, 1986

MID-SESSION REVIEW OF THE 1987 BUDGET

(1)

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GENERAL NOTES

1. All years referred to are fiscal years unless otherwise noted.

2. All totals in the text and tables include on-budget and off-budget spending and receipts unless otherwise noted.

3. Details in the tables and text may not add to totals because of rounding.

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INTRODUCTION

This Mid-Session Review revises the estimates contained in the President's budget transmitted to Congress last February.

These revisions reflect:

-- adjustments in certain economic assumptions;

-- technical reestimates, especially the current year experience on the rate of spending for Federal programs and the collection of receipts;

-- legislation enacted since February, primarily the Consolidated Omnibus Budget Reconciliation Act of 1985, the Federal Employees' Retirement System Act of 1986, and the Urgent Supplemental Appropriations Act of 1986;

-- inaction by Congress on certain of the Administration's proposals; and

-- changes in Administration requests.

The estimates in this Review also reflect Congressional enactment of the 1986 spending cuts required by the Balanced Budget and Emergency Deficit Control Act of 1985, commonly known as Gramm-Rudman-Hollings. Such adjustments were also incorporated in the February estimates.

Congress is expected to pass tax reform legislation by the end of the summer that will be acceptable to the President. However, technically there is no need to reflect this legislation in the Mid-Session because it is expected to be "revenue neutral" over the budget period, 1986-1991. Moreover, the specific content of the legislation has not yet been decided, so discussion of detail would be speculative at this juncture.

The 1987 revised budget deficit in this Mid-Session Review is $143.9 billion, within the required target of $144 billion. Thus, the proposals in this Mid-Session Review are an alternative -- a highly preferred alternative -- to the budget reductions that would result under the sequester procedures required by Gramm-Rudman-Hollings. That is, if the Mid-Session Review proposals are enacted, the automatic reductions should not be necessary.

Under current law, a sequester will take place only if all of the following occur:

-- the Congressional Budget Office (CBO) and the Office of Management and Budget (OMB) on average project a deficit greater than $154 billion for 1987; and

-- the Congress passes and the President signs into law a sequestration report to reduce available budgetary resources across the board for most Federal programs. (The initial report will be made by OMB and CBO on August 20th, and the final report is due on October 6th.) It should be noted here most strongly that, by statute, the base estimates for the reports of August 20th and October 6th are not the same as those contained in this Review. According to Gramm-Rudman-Hollings, the sequester reports must be based on "current law", rather than projections, for revenues and outlays that have not been enacted for the coming full fiscal year.

Following the recent ruling by the Supreme Court in Synar, Congress acted quickly to enact the 1986 spending cuts called for by Gramm-Rudman-Hollings. The Administration supported this initiative and congratulates Congress on the timely response. Moreover, the Administration urges Congress to abide by the 1987 deficit target and enact the spending cuts needed to achieve this target without tax increases or further reductions in national defense.

THE BUDGET OUTLOOK

Table 1 shows the revised Mid-Session budget totals compared with the estimates from the Administration's February budget for 1986-1991. The deficit for 1986 is now estimated to be $230.2 billion -- some $27.4 billion above the February estimate. This is because of: (1) an $11.9 billion reduction in estimated receipts, due largely to lower personal incomes and corporate profits than projected in February, and (2) a $15.5 billion increase in estimated outlays, due in part to higher-than-expected payments by Defense and the Commodity Credit Corporation.

As required by Gramm-Rudman-Hollings, the deficit for 1987 is now estimated to be $143.9 billion, about the same as the February estimate. This estimate for 1987 reflects:

-- a $19.2 billion reduction in receipts due primarily to lower-than-expected personal incomes and corporate profits than projected in February; and

-- an $18.9 billion reduction in estimated outlays, due in part to lower inflation and interest rates than projected in February.

The estimates reflect declining deficits for 1988-1990, and a small surplus in 1991.

Table 1.--BUDGET TOTALS

	Billions of Dollars		
	Receipts	Outlays	Surplus or Deficit (-)
1985 actual.....	734.1	946.3	-212.3
1986 estimate:			
February budget.....	777.1	979.9	-202.8
Current.....	765.2	995.4	-230.2
1987 estimate:			
February budget.....	850.4	994.0	-143.6
Current.....	831.2	975.1	-143.9
1988 estimate:			
February budget.....	933.2	1,026.8	-93.6
Current.....	918.2	1,015.7	-97.5
1989 estimate:			
February budget.....	996.1	1,063.6	-67.5
Current.....	987.6	1,048.7	-61.1
1990 estimate:			
February budget.....	1,058.1	1,093.8	-35.8
Current.....	1,052.4	1,075.4	-23.0
1991 estimate:			
February budget.....	1,124.0	1,122.7	1.3
Current.....	1,113.3	1,105.9	7.4

ECONOMIC ASSUMPTIONS

After increasing at nearly a 7 percent annual rate for the first year and a half of recovery, real economic growth moderated to a 2-1/2 percent annual rate during the past two years. Inflation has decreased from the double-digit rates prevalent when this Administration came to office to an average of 3-1/2 percent over the last three years. Indeed, for three consecutive months this spring, the Consumer Price Index actually fell.

Both real growth and inflation were lower than anticipated in the first half of 1986, resulting in a smaller increase in nominal GNP and, as a consequence, lower levels of receipts. However, the steep decline in oil prices and interest rates, and the appreciation of foreign currencies relative to the dollar have improved the economic outlook for 1987. The Administration now projects more rapid real growth and a lower rate of inflation than in the February budget. The net effect of all these changes since February is to reduce the expected increase in nominal GNP. Although lower interest rates will result in lower outlays, the savings are more than offset by downward revisions of receipts estimates due to the lower-than-previously-projected increase in nominal GNP. Thus, there is a real need for policy action to cut spending if the deficit targets set forth in Gramm-Rudman-Hollings are to be attained.

Aside from the improvement in 1987 economic performance associated with the decline in oil prices and interest rates, the 1988-1991 economic assumptions are little changed from those contained in the February budget.

RECEIPTS

The current estimate of 1986 receipts is $765.2 billion -- $11.9 billion less than the February estimate. Receipts in 1987 are currently estimated at $831.2 billion, $19.2 billion below the February estimate of $850.4 billion. Estimates of receipts for 1988 through 1991 have been revised downward by $5.7 billion to $15.0 billion in each year. These revisions are due largely to changes in economic assumptions.

Table 3.--CHANGE IN RECEIPTS
(in billions of dollars)

	1986	1987	1988	1989	1990	1991
February budget.....	777.1	850.4	933.2	996.1	1,058.1	1,124.0
Changes due to:						
Economic assumptions....	-11.0	-19.7	-16.3	-7.4	-6.2	-11.1
Policy.....	-0.3	-0.4	0.7	-0.6	-0.5	0.7
Technical reestimates...	-0.7	0.9	0.6	-0.5	1.0	-0.4
Total changes.....	-11.9	-19.2	-15.0	-8.5	-5.7	-10.8
Current estimate.....	765.2	831.2	918.2	987.6	1,052.4	1,113.3

Revised economic assumptions -- primarily lower personal incomes and corporate profits -- have the greatest impact on receipts, reducing estimated collections by $11.0 billion in 1986, $19.7 billion in 1987, and over $6 billion in each subsequent year. The drop in oil prices since February contributed to this decline by reducing estimated collections from the windfall profit tax to zero beginning in 1987.

Changes in policy are estimated to reduce receipts in 1986 and 1987 by $0.3 billion and $0.4 billion, respectively. These policy changes include enactment of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA); enactment of the Federal Employees' Retirement System Act of 1986; and Congressional inaction on the proposed extension and increase in hazardous substance response trust fund taxes (superfund), which expired on September 30, 1985. Policy changes also include the effect of Administration proposals to:

-- Provide a full cost-of-living (COLA) increase for social security and other programs in 1987 and 1991, which would lead to an increase in the maximum level of wages and salaries subject to the payroll tax and higher receipts. (Under current law and the Administration's economic assumptions, no COLA would be provided in these years; therefore, the maximum level of wages and salaries subject to the payroll tax, which is adjusted annually for inflation only if a COLA is granted, would not rise in 1987 and 1991.)

-- Permanently increase contributions to the rail industry pension fund by 1.5 percent effective January 1, 1987. (The Railroad Retirement Board actuary recently recommended the increase to protect the solvency of the rail industry pension fund.)

Technical reestimates have a minor effect on receipts in each year. They reflect primarily the collection experience to date and revised estimating equations.

OUTLAYS

The current outlay estimate for 1986 is $995.4 billion, which is $15.5 billion above the February estimate. Outlays for 1987 are now estimated to be $975.1 billion -- $18.9 billion below the February estimate of $994.0 billion. Revisions for nondefense programs account for $18.8 billion of the 1987 total change. These revisions are due to policy changes, adjusted economic assumptions, or technical reestimates, as shown in Table 4. For 1986, most of the nondefense increase in estimated outlays is due to technical reestimates.

Gramm-Rudman-Hollings requires the Mid-Session Review to meet the 1987 deficit target of $144 billion. The policy changes discussed below are used to meet this target. Rather than completely redo the February budget, the Administration has proposed policy changes in only limited areas. For the 1988 budget, which under current law is required to be transmitted to Congress in January 1987, the Administration will reevaluate each area of Federal spending in formulating its proposals.

National Defense

The Administration's 1987 defense budget request is now equal to the level in the 1987 Congressional Budget Resolution, including the amount set aside in a special reserve fund. For 1988 through 1991, defense budget authority increases at a 3 percent annual real rate. Defense outlays for 1987 are $0.1 billion below the February estimate as a net result of this reduction in budget authority and technical changes.

Non-Defense Programs

Policy changes.--Policy changes are the result of either revised Administration proposals, or Congressional action or inaction. These changes increase estimated outlays by $1.9 billion in 1986 and decrease estimated outlays by $2.2 billion in 1987. The increases in 1986 are due largely to overturned rescissions and deferrals, and enactment of the Urgent Supplemental Appropriations Act of 1986. The change in 1987 is largely the result of changes in economic assumptions.

For the International Affairs function, the Administration proposes a budget authority level consistent with the 1987 Congressional Budget Resolution, including a portion of the special reserve fund available for nondefense purposes. This reduces estimated outlays by $1.5 billion in 1987.

The recently enacted Urgent Supplemental Appropriations Act of 1986 allows for prepayment of Rural Electrification Administration loans held by the Federal Financing Bank. This decreases estimated outlays by $0.3 billion in 1986 and $1.4 billion in 1987. The decrease in 1986 is partly offset by an increase of $0.1 billion due to failure to enact a proposed rescission.

The Administration's proposal to recapitalize the Federal Savings and Loan Insurance Corporation fund in order to assist an increased number of insolvent thrift institutions raises estimated outlays by $1.3 billion in 1986 and $0.6 billion in 1987.

Medicare outlays have been reduced by $0.4 billion in 1986 and $3.3 billion in 1987 primarily as a result of regulations that would eliminate periodic interim payments to hospitals and grant an update in rates medicare will pay for hospital admissions of 0.5 percent. With the sharp declines since February in both projected inflation and hospital market baskets, a 0.5 percent increase in medicare hospital payment rates now provides a larger real increase than the 2 percent "placeholder" update assumed in the February budget. On average, medicare payments to hospitals are projected to rise in 1987 by 4 percent for each admission.

Enactment of the Federal Employees' Retirement System Act of 1986 increases outlays by $0.6 billion in 1987, but reduces outlays in subsequent years.

COBRA placed a two-year moratorium on collections from the States for errors in administration of the aid to families with dependent children program. This increases 1987 outlays by an estimated $0.8 billion.

Under current law, there would be no cost-of-living adjustment for social security and programs tied to it until 1988 because the rise in the Consumer Price Index (CPI) is projected to be less than 3 percent in 1987. However, the Administration proposes to pay a full cost-of-living adjustment at the projected rate of 0.8 percent in 1987, which raises estimated 1987 outlays for social security by $1.2 billion. (The savings resulting from the lower CPI assumption is discussed below in the economic assumptions section.)

Congress has failed to enact an Administration proposal to rescind the final payment of the general revenue sharing program, which increases 1987 outlays by $0.8 billion.

Because of lower inflation and the failure of Congress to enact the Administration's proposed increase in employee contributions to the civil service retirement fund, the Administration is now proposing a 2 percent pay raise for Federal civilian employees rather than the 3 percent pay raise proposed in February. The revised pay proposal assumes that civilian agencies will absorb 75 percent of this pay raise, while DOD will absorb 50 percent. This proposal reduces 1987 outlays for civilian agencies by an estimated $0.3 billion.

COBRA included a provision that settled the dispute between the Federal Government and the States over the disposition of Outer Continental Shelf receipts held in escrow. This reduces estimated outlays by $1.4 billion in 1986 and $1.3 billion in 1987. This provision also distributed the interest from the escrow account, which reduced outlays for net interest by $0.8 billion in 1986 and $0.9 billion in 1987.

A delay in the sale of Conrail due to failure to enact legislation authorizing the sale increases 1986 estimated outlays and decreases 1987 outlays by $1.2 billion. (Recent reestimates that raise Conrail's sale price by $0.7 billion are discussed below in the technical reestimates section.)

Economic Assumptions.--The adjustments to economic assumptions reduce outlays for 1986 and 1987 by an estimated $0.5 billion and $12.7 billion, respectively.

Estimated outlays for medicare are down by $0.5 billion in 1987 because of lower assumed inflation rates.

In 1986, outlays for unemployment compensation are expected to be $0.6 billion higher than estimated in the February budget primarily because the insured unemployment rate and the average benefit paid are both higher than anticipated.

Lower estimates of food price inflation have reduced outlays for the food stamp program by $0.5 billion in 1987.

The February budget assumed that social security recipients would receive a 3.7 percent cost-of-living increase in 1987. Under current economic assumptions, the Consumer Price Index is projected to increase by only 0.8 percent so that no cost-of-living adjustment would be made for social security and programs tied to social security under current law. As a result, estimated outlays for social security for 1987 are reduced by $5.5 billion. (The Administration is proposing to pay a full cost-of-living adjustment as discussed above in the policy changes section.)

Receipts from the Outer Continental Shelf, which are offset against outlays, have declined by an estimated $1.5 billion in 1986 and by $2.4 billion in 1987, as a result of the dramatic reduction in world oil prices since February.

The decline in projected interest rates for 1986 and 1987 reduces interest outlays by $2.7 billion in 1986 and $8.8 billion in 1987 below the February estimate. The reductions in net interest are partly offset by the increased borrowing associated with the reduction in receipts and outlays due to changes in economic assumptions, which increase net interest outlays by $0.2 billion in 1986 and $1.1 billion in 1987.

Technical reestimates.--Technical changes result from factors such as revised crop forecasts, changes in caseloads for entitlement programs, faster or slower than expected spending from obligations, and other factors that are different from those assumed in February. Technical changes increase estimated outlays $8.5 billion in 1986 and decrease them $3.9 billion in 1987.

Foreign military sales credit outlays are lower by an estimated $0.1 billion in 1986 and $1.2 billion in 1987 due to a slowdown in disbursements caused principally by a decline in government-to-government sales of military equipment.

Outlays for the Export-Import Bank are lower by an estimated $0.9 billion in 1986 and $0.1 billion in 1987 because of lower-than-expected demand for new loans as well as fewer-than-anticipated disbursements and larger prepayments on existing loans.

Changes in the crop forecast have increased estimated Commodity Credit Corporation outlays for 1986 by $5.1 billion and reduced estimated outlays by $1.8 billion for 1987. The Review assumes that no advanced deficiency payments will be made in 1987, although this matter is currently under review.

For the agricultural credit insurance fund, revised assumptions about repayments of interest and principal result in a net increase in estimated outlays of $0.8 billion in 1986 and $1.0 billion in 1987.

Estimated outlays in 1986 by the Federal Deposit Insurance Corporation are higher by $2.6 billion because of a greater-than-anticipated number of failing banks.

Higher loan demand, which increases receipts from fees, and other cost reestimates reduce net outlays for the Federal Housing Administration by an estimated $0.4 billion in 1986 and $0.7 billion in 1987.

Higher-than-anticipated revenues and lower-than-expected expenses for the Postal Service account for lower outlays of $0.7 billion in 1986 and $0.6 billion in 1987.

Increased defaults have led to an estimated increase of $0.9 billion in 1986 outlays for the Federal ship financing fund.

Outlays for Federal employee health benefits have increased $0.7 billion in 1987 as a result of higher-than-anticipated claims.

Medicaid outlays have increased by $0.5 billion in 1986 and $0.1 billion in 1987. Increased outlays for 1986 are due to higher-than-anticipated financial adjustments for 1985 grants, and higher State medical and administrative costs for 1986 that included implementation of COBRA provisions. Increased outlays for 1987 are due to higher estimates for medical assistance payments and administration.

Outlays for social security (OASDI) decreased by $0.6 billion in 1986 and $0.4 billion in 1987 due primarily to fewer beneficiaries than projected.

Based on revised offers by prospective purchasers of Conrail, estimates of the proceeds from the sale in 1987 have been increased to $1.9 billion, $0.7 billion more than the $1.2 billion estimated in February. (The shift from 1986 to 1987 of the $1.2 billion in proceeds originally estimated to be received from the sale was discussed above in the policy section.)

The sale of the Naval Petroleum Reserves is assumed to occur on September 30, 1987, a delay of 6 months from the date in the February Budget. Sale proceeds would still be collected in two installments -- one in 1987 and one in 1988 -- as assumed in February, but in different amounts. These changes increase offsetting receipts and, thus, reduce 1987 estimated outlays by $0.6 billion.

Table 4.--CHANGE IN OUTLAYS
(in billions of dollars)

	1986	1987	1988	1989	1990	1991
February budget.....	979.9	994.0	1026.8	1063.6	1093.8	1122.7
Changes:						
National defense.....	5.6	-0.1	-*	-4.0	-9.9	-13.0
Nondefense:						
Policy:						
International Affairs...	---	-1.5	-1.8	-2.3	-2.5	-2.6
Rural Electrification Administration.....	-0.2	-1.4	0.2	0.2	0.2	0.2
Federal Savings and Loan Insurance Corporation..	1.3	0.6	-0.4	-0.3	-*	0.4
Medicare.....	-0.4	-3.3	0.2	-0.3	-0.3	-0.5
Federal civilian retirement system.....	*	0.6	-1.7	-2.1	-2.1	-2.1
Aid to families with dependent children.....	---	0.8	-0.8	*	*	*
Social security.....	---	1.2	0.3	-0.2	-0.2	4.7
General revenue sharing.	---	0.8	---	---	---	---
Civilian agency pay raises.....	---	-0.3	-0.4	-0.4	-0.4	-0.4
Outer Continental Shelf receipts.....	-1.4	-1.3	2.7	1.3	---	---
Sale of Conrail.....	1.2	-1.2	---	---	---	---
Other.....	2.1	3.5	0.9	-1.2	-0.7	-0.2
Net interest:						
Interest from Outer Continental Shelf escrow account.....	-0.8	-0.9	1.9	1.0	---	---
Other interest.....	---	---	-0.2	-0.2	---	---
Effect of revised borrowing due to policy changes 1/.....	*	0.1	0.1	-0.1	-0.4	-0.5
Subtotal, policy....	1.9	-2.2	0.9	-4.5	-6.3	-0.9

Table 4.--CHANGE IN OUTLAYS (continued)
(in billions of dollars)

	1986	1987	1988	1989	1990	1991
Economic assumptions:						
Medicare	0.3	-0.5	-0.6	-1.2	-1.5	-1.8
Unemployment compensation	0.6	-*	0.1	0.1	0.3	0.2
Food stamps	---	-0.5	-0.8	-0.9	-0.9	-0.9
Social security	*	-5.5	-7.5	-7.4	-7.7	-7.8
Outer Continental Shelf receipts	1.5	2.4	1.6	1.4	1.7	1.3
Other	-0.5	-0.8	-1.5	-2.0	-2.2	-2.7
Net interest:						
Interest rate effect	-2.7	-8.8	-5.8	-3.5	*	-0.2
Effect of revised borrowing due to economic assumptions 1/	0.2	1.1	1.5	1.3	0.9	0.7
Subtotal, economic	-0.5	-12.7	-13.0	-12.1	-9.4	-11.2
Technical reestimates:						
Foreign military sales credit	-0.1	-1.2	0.5	-*	-0.1	-0.1
Export-Import Bank	-0.9	-0.1	-*	0.1	0.1	0.2
Commodity Credit Corporation	5.1	-1.8	2.7	2.4	3.4	4.5
Agricultural credit insurance fund	0.8	1.0	1.0	1.0	1.0	1.0
Federal Deposit Insurance Corporation	2.6	---	---	---	---	---
Federal Housing Administration fund	-0.4	-0.7	-0.8	-0.5	-0.7	-0.9
Postal Service	-0.7	-0.6	-1.0	0.1	0.1	0.1
Federal ship financing fund	0.9	*	0.1	*	*	*
Federal employee health benefits	-0.2	0.7	-0.1	-0.1	-0.1	-0.1
Medicaid	0.5	0.1	-0.3	0.9	1.5	1.9
Social security	-0.6	-0.4	-0.6	-0.9	-1.6	-1.4
Sale of Conrail	---	-0.7	---	---	---	---
Sale of Naval Petroleum Reserves	0.3	-0.6	0.5	---	---	---
Other	1.9	0.9	0.8	0.5	0.6	0.5
Net interest:						
Direct technical reestimates	-0.9	-1.3	-2.4	1.4	2.4	2.1

Table 4.--CHANGE IN OUTLAYS (continued)
(in billions of dollars)

	1986	1987	1988	1989	1990	1991
Effect of revised borrowing due to technical reestimates 1/ 2/.....	0.3	0.8	0.7	0.8	0.6	0.3
Subtotal, technical.	8.5	-3.9	1.0	5.6	7.3	8.2
Subtotal, nondefense changes.....	9.9	-18.8	-11.0	-10.9	-8.5	-3.8
Total changes.....	15.5	-18.9	-11.1	-14.9	-18.4	-16.9
Current estimate.....	995.4	975.1	1015.7	1048.7	1075.4	1105.9

* $50 million or less.
1/ Includes effects of changes to both receipts and outlays.
2/ Includes effects of defense changes.

BUDGET AUTHORITY

The current estimate of budget authority in 1987 is $1071.5 billion, which is $30.5 billion less than the February estimate. The change is accounted for primarily by a $21.3 billion reduction for national defense. This reflects a decision by the Administration to acquiesce to the 1987 budget authority level contained in the 1987 Congressional Budget Resolution, including the special reserve fund. However, the Review assumes 3 percent real growth in budget authority for defense each year thereafter.

The changes in budget authority for 1986 through 1991 are shown in Table 5. They are primarily for the same programs and for the same reasons as described in the outlays section. The major exceptions are for trust funds, for which changes in budget authority generally reflect changes in income to the funds. For example, enactment of the Federal Employees' Retirement System Act of 1986 created a new thrift fund financed by employer and voluntary employee contributions; in 1987, estimated budget authority for the fund is $0.9 billion.

Table 5.--CHANGE IN BUDGET AUTHORITY
(in billions of dollars)

	1986	1987	1988	1989	1990	1991
February budget.....	1058.7	1102.0	1165.9	1218.0	1261.3	1310.1
Changes:						
National defense.....	-0.1	-21.3	-23.2	-24.4	-25.1	-24.9
Nondefense:						
Policy:						
International affairs...	---	-3.6	-2.4	-2.4	-2.5	-2.7
Rural housing programs..	0.7	---	*	*	*	*
Student financial assistance.....	0.6	*	*	*	*	*
Federal employee retirement thrift fund.....	---	0.9	3.0	3.8	4.2	4.4
Aid to families with dependent children.....	---	0.8	-0.8	*	*	*
Subsidized housing.....	4.3	2.5	---	---	---	---
Social security.....	---	0.8	3.9	3.1	3.3	4.7
General revenue sharing.	0.8	---	---	---	---	---
Civilian agency pay.....	---	-0.3	-0.4	-0.4	-0.4	-0.4
Outer Continental Shelf receipts.....	-1.4	-1.3	2.7	1.3	---	---
Sale of Conrail.....	1.2	-1.2	---	---	---	---
Other.....	5.5	*	-2.8	-3.9	-3.7	-2.9
Net interest.....	-0.7	-0.8	1.7	0.7	-0.4	-0.5
Subtotal, policy...	10.9	-2.0	5.0	2.3	0.6	2.6

Table 2.--ECONOMIC ASSUMPTIONS
(calendar years; dollar amounts in billions)

	Actual 1985	Estimates 1986	1987	1988	1989	1990	1991
Major economic indicators:							
Gross National Product (percent change, fourth quarter over fourth quarter):							
Current dollars	6.3	5.7	8.1	7.7	7.0	6.2	5.6
Constant (1982) dollars	2.9	3.2	4.2	4.0	3.8	3.6	3.5
GNP deflator (percent change, fourth quarter over fourth quarter)	3.3	2.4	3.7	3.5	3.2	2.5	2.0
Consumer Price Index (percent change, fourth quarter over fourth quarter) 1/	3.3	0.6	3.7	3.5	3.2	2.5	2.0
Unemployment rate (percent, fourth quarter) 2/	6.9	6.7	6.5	6.2	6.0	5.7	5.6
Annual economic assumptions:							
Gross National Product:							
Current dollars:							
Amount	3998	4224	4536	4894	5251	5594	5914
Percent change, year over year	6.2	5.7	7.4	7.9	7.3	6.5	5.7
Constant (1982) dollars:							
Amount	3585	3690	3837	3994	4149	4299	4451
Percent change, year over year	2.7	2.9	4.0	4.1	3.9	3.6	3.5
Incomes:							
Personal income	3314	3504	3726	3963	4235	4475	4701
Wages and salaries	1966	2083	2236	2391	2570	2733	2882
Corporate profits before tax	223	246	299	356	366	383	394
Price level:							
GNP deflator:							
Level (1982=100), annual average	111.5	114.5	118.2	122.5	126.6	130.1	132.9
Percent change, year over year	3.4	2.6	3.3	3.7	3.3	2.8	2.1
Consumer Price Index 1/:							
Level (1967=100), annual average	318.5	322.7	331.9	344.1	355.4	365.4	373.1
Percent change, year over year	3.5	1.3	2.8	3.7	3.3	2.8	2.1
Unemployment rates:							
Total, annual average 2/	7.1	6.9	6.5	6.3	6.1	5.3	5.6
Insured, annual average 3/	2.8	2.7	2.6	2.5	2.3	2.2	2.0
Federal pay raise (percent):							
Military (October) 4/	7.0	4.0	4.2	4.6	4.8	4.6	NA
Civilian (January)	3.5	---	2.0	3.0	3.0	3.0	3.0
Interest rate, 91-day Treasury bills (percent) 5/	7.5	6.2	6.2	5.6	5.1	4.5	4.0
Interest rate, 10-year Treasury notes (percent)	10.6	7.7	7.5	7.0	5.7	5.0	4.5

1/ CPI for urban wage earners and clerical workers. Two versions of the CPI are published. The index shown here is that currently used, as required by law, to calculate automatic cost-of-living increases for indexed Federal programs. The manner in which this index measures housing costs changed significantly in January 1985.
2/ Percent of total labor force, including armed forces residing in the U.S.
3/ This indicator measures unemployment under state regular unemployment insurance as a percentage of covered employment under that program. It does not include recipients of extended benefits under that program.
4/ There were two military pay raises in calendar year 1985: 4.0% in January and 3.0% effective in October.
5/ Average rate on new issues within period, on a bank discount basis. These projections do not represent a forecast of interest rates.

Table 5.--CHANGE IN BUDGET AUTHORITY (continued)
(in billions of dollars)

	1986	1987	1988	1989	1990	1991
Economic assumptions:						
Medicare	-0.2	-0.7	-1.4	-1.1	-0.8	-0.7
Food stamps	---	-0.5	-0.8	-0.9	-0.9	-0.9
Social security	-0.9	-1.3	-3.5	-2.0	-0.8	-0.6
Outer Continental Shelf receipts	1.5	2.4	1.6	1.4	1.7	1.3
Other	-0.4	-1.1	-2.0	-2.9	-2.9	-3.4
Net interest	-2.5	-7.7	-4.4	-2.2	0.9	0.5
Subtotal, economic	-2.4	-8.9	-10.5	-7.7	-2.9	-3.9
Technical reestimates:						
Commodity Credit Corporation	2.5	-0.2	2.7	2.4	3.4	4.5
Agricultural credit insurance fund	0.8	0.9	0.2	0.6	0.7	0.8
Postal Service	-1.3	-0.2	-1.0	0.3	0.3	0.3
Federal ship financing fund	0.9	*	0.1	*	*	*
Medicaid	0.5	0.1	-0.3	0.9	1.5	1.9
Medicare	0.4	0.7	0.6	0.4	0.4	0.3
Social security	3.8	2.4	2.8	3.2	3.4	3.8
Sale of Conrail	---	-0.7	---	---	---	---
Sale of Naval Petroleum Reserve	0.3	-0.6	0.5	---	---	---
Other	1.9	-0.1	-0.8	-0.8	-1.3	-2.3
Net interest	-0.6	-0.5	-1.7	2.2	3.1	2.5
Subtotal, technical	9.2	1.8	3.1	9.2	11.5	11.8
Subtotal, non-defense changes	17.8	-9.1	-2.3	3.9	9.2	10.5
Total, changes	17.7	-30.5	-25.5	-20.5	-15.9	-14.4
Current, estimate	1076.4	1071.5	1140.4	1197.5	1245.4	1295.7

* $50 million or less.

CREDIT BUDGET

The Federal credit budget measures and controls the volume of new loans and guarantees extended to borrowers. It supplements the unified budget, which includes only direct loan disbursements net of repayments and does not reflect loan guarantees at all. Unlike the unified budget, the credit budget measures new credit at the point at which the Government legally contracts to provide a loan or loan guarantee. It is based on credit authority -- the authority to make new offers of credit -- which is measured on a gross basis and does not reflect loan repayments. Finally, it measures guaranteed loan commitments as the full principal of the loan even if the Government's contingent liability is less than the full loan principal.

Congress may raise the ceilings on credit authority at its discretion. For example, in the spring of 1986 credit authority levels for Federal Housing Administration (FHA), Veterans Administration (VA), and Government National Mortgage Association (GNMA) were raised by a combined $222 billion to accommodate the growing demand for mortgages and mortgage refinancings resulting from the substantial fall in interest rates. Since the cyclical peaks in interest rates were reached in 1981, long-term bond yields have fallen by 53 percent. Currently, the yield on long-term U.S. Government bonds is at its lowest level since late 1973. This drop in interest rates has created a "boom" period for the mortgage banking industry; quarter-to-quarter single family loan originations surged by more than 140 percent over the second quarter of calendar year 1986. Congress responded to this increased demand by raising FHA's credit appropriations act limitation from $57.4 billion to $141.5 billion. VA's Gramm-Rudman-Hollings de facto limitation was raised from $11.6 billion to $40.0 billion, and GNMA's limitation on secondary guarantees was raised from $65.3 billion to $175.0 billion.

The current estimates of the credit budget are shown in Table 6. These totals are $90.3 billion higher in 1986 and $69.1 billion higher in 1987 than estimated last February. Estimates in both years have increased by about 65 percent. The upward revisions are due largely to technical reestimates for housing programs. Other technical reestimates for Export-Import Bank, rural housing, rural electrification programs, guaranteed student loans, the Commodity Credit Corporation, and assistance to ocean shipping (Marad) programs, and policy changes for the Federal Housing Administration and the Federal Savings and Loan Insurance Corporation constitute the remaining revisions.

Direct loan obligations.--Total direct loan obligations in 1986 are estimated to be $43.7 billion -- $2.0 billion higher than estimated in February. For 1987, the current estimate is $30.1 billion, $0.4 billion lower than the February estimate. These revisions are due to policy changes, which include Congressional action or inaction and changes by the Administration, or to technical reestimates.

Policy changes.--Policy changes result in an increase in direct loan obligations of $0.7 billion in 1986 and a decrease of $0.3 billion in 1987.

Direct loan obligations for the housing for the elderly and handicapped program increased by an estimated $0.5 billion in 1986, the result of the withdrawal of the negative supplemental request that had been included in the President's February budget. Rural housing direct loans have been revised upward by $0.6 billion in 1986, due to Congressional action to overturn a requested deferral of $0.7 billion.

Estimated direct loan obligations of the Federal Savings and Loan Insurance Corporation (FSLIC) have been revised downward by $0.5 billion in 1986 and $0.5 billion in 1987. This decline of greater than 95 percent results from a proposal by the Administration to change the manner in which the Federal Government aids thrift institutions. Cash payments to liquidate troubled thrifts are being used more heavily than direct loans to the potential acquirers of these institutions as a means of assisting the troubled thrift industry.

Technical reestimates.--Technical reestimates of direct loan obligations result in an increase of $1.3 billion in 1986 and a decrease of $0.1 billion in 1987.

Direct loans for the Export-Import Bank have declined by an estimated $0.5 billion in 1986, a 43 percent decrease since the February estimate. The decline is the result of lower growth than expected in U.S. exports due to the appreciation of foreign currencies relative to the dollar. Lower-than-expected demand for new electrification projects reduces direct loans for the Rural Electrification Administration in 1986 by an estimated $0.3 billion.

Estimates for the Commodity Credit Corporation were raised by $1.1 billion and $0.3 billion in 1986 and 1987, respectively. These increases were due to a rise in wheat and feed grain loans resulting from lower-than-expected market prices for those commodities. Market prices fell because of lower loan rates (as mandated by the Farm Bill signed last December), greater production, and the increased use of commodity certificates in Government programs.

The rise in direct loan estimates for assistance to ocean shipping (Marad) programs of $0.9 billion in 1986 reflects increased defaults of guaranteed loans on oil tankers and barges, the result of severe price declines in the oil markets and the subsequent profit margin pressures on companies in that industry.

Guaranteed loan commitments.--Guaranteed loan commitments are now estimated to be $182.1 billion in 1986 and $149.3 billion in 1987. These levels reflect increases since February of $88.3 billion and $69.5 billion, respectively. The Federal Housing Administration (FHA) estimates for mortgage insurance comprise 72 percent of the change for guaranteed loans.

Policy changes.--Policy changes for guaranteed loan commitments result in increases of $0.1 billion in 1986 and $10.6 billion in 1987.

The FHA policy increase of $10.5 billion in 1987 reflects Congressional inaction in adopting certain policies contained in the President's 1987 budget, which proposed the exclusion of families with annual incomes over $40,000 and required that mortgage insurance premiums be paid in cash.

Technical reestimates.--Technical reestimates for guaranteed loan commitments result in increases of $88.2 billion in 1986 and $58.9 billion in 1987.

Estimates for Export-Import Bank loan guarantees have declined for 1986 by $5.7 billion, or 50 percent, and in 1987 by $1.7 billion, or 14 percent. The lower estimates reflect:

- o expected lower demand resulting from a decline in market interest rates and the subsequent decrease in the relative attractiveness of Export-Import guarantees when compared to private market financing sources,

- o a slower increase than expected in the demand for exports due partly to slower-than-expected growth in the world economy.

Aside from the $10.5 billion increase resulting from policy changes in 1987, discussed above, guaranteed loan commitments for the Federal Housing Administration were raised by $67.5 billion in 1986 and $41.7 billion in 1987. This significant increase reflects an expectation for continued strong demand for single family home loan applications following a substantial drop in interest rates.

Guaranteed student loans have been reestimated downward by $1.4 billion in 1987. The decline is due to an unexpected decrease in demand for guaranteed student loans from an average growth rate of over 10 percent in the last few years to a current growth rate of less than 5 percent.

The significant drop in interest rates resulted in a surge in mortgage refinancings causing the Veterans Administration to increase its 1986 and 1987 estimates by $26.7 billion and $21.1 billion, respectively.

Table 6.--CHANGE IN CREDIT BUDGET TOTALS
(in billions of dollars)

Direct Loan Obligations	1986	1987	1988	1989	1990	1991
February budget.....	41.6	30.6	28.0	24.8	22.3	20.1
Policy changes:						
Housing for the elderly and handicapped.....	0.5	---	---	---	---	---
Rural housing.....	0.6	---	---	---	---	---
Federal Savings and Loan Insurance Corporation.....	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Low rent public housing....	0.1	0.2	0.4	0.4	---	---
Commodity Credit Corporation.....	---	0.1	---	-0.1	-0.1	---
Small Business Administration (FFB).....	-0.2	-0.1	---	---	---	---
Community and regional development (FFB).....	0.2	---	---	---	---	---
Subtotal, policy.....	0.7	-0.3	-0.1	-0.2	-0.6	-0.5
Technical reestimates:						
Foreign military sales.....	---	-*	-0.1	-0.1	-0.1	-0.1
Export-Import Bank.....	-0.5	---	---	---	---	---
Rural Electrification Administration.....	-0.3	---	---	---	---	---
Commodity Credit Corporation.....	1.1	0.3	0.5	1.5	1.0	1.5
Federal Housing Administration (mortgage insurance).	-0.1	-*	-*	*	*	*
National Credit Union Administration central liquidity facility.....	0.1	---	---	---	---	---
Assistance to ocean shipping.....	0.9	---	---	---	---	---
Guaranteed student loans...	0.1	-0.2	-*	-*	-*	-0.1
Student financial assistance.....	0.2	---	---	---	---	---
Veterans Administration mortgage insurance.....	-0.1	-0.1	-*	*	0.1	0.1
Other.....	*	*	-*	-*	-*	-*
Subtotal, technical....	1.3	-0.1	0.3	1.4	0.9	1.4
Total changes.....	2.0	-0.4	0.2	1.2	0.4	0.9
Current estimate.....	43.7	30.1	28.2	26.0	22.7	21.1

Table 6.--CHANGE IN CREDIT BUDGET TOTALS (continued)
(in billions of dollars)

Guaranteed Loan Commitments	1986	1987	1988	1989	1990	1991
February budget.....	93.8	79.8	81.7	83.3	84.8	85.4
Policy changes:						
Federal Housing Administration (mortgage insurance)..	---	10.5	10.9	11.2	11.6	11.8
Federal Savings and Loan Insurance Corporation.....	0.1	0.2	0.2	0.2	0.1	0.1
Subtotal, policy.....	0.1	10.6	11.1	11.4	11.7	11.9
Technical reestimates:						
Export-Import Bank.....	-5.7	-1.7	---	---	---	---
Federal Housing Administration (mortgage insurance).	67.5	41.7	32.1	31.5	33.6	35.4
Small Business Administration.....	0.3	---	---	---	---	---
Guaranteed student loans...	*	-1.4	-2.1	-2.7	-3.1	-3.5
Veterans Administration....	26.7	21.1	15.5	13.9	11.1	7.4
Other.....	-0.7	-0.8	-0.7	-0.5	-0.6	-0.6
Subtotal, technical....	88.2	58.9	44.8	42.0	40.9	38.6
Total changes.....	88.3	69.5	55.9	53.4	52.6	50.6
Current estimate.....	182.1	149.3	137.6	136.7	137.4	135.9
Total credit budget:						
February budget.....	135.5	110.3	109.7	108.1	107.0	105.5
Changes.....	90.3	69.1	56.2	54.6	53.0	51.5
Current estimate.....	225.8	179.4	165.9	162.8	160.1	157.0

* $50 million or less.

Federal Financing Bank.--The Federal Financing Bank (FFB), which is supervised by the Secretary of the Treasury, was created in 1973 to finance debt obligations issued, sold or guaranteed by Federal agencies in a coordinated and efficient manner. Prior to the creation of the FFB, agencies sold debt obligations in the form of securities, loan participation certificates or loan certificates of beneficial ownership directly to the public with 100 percent guarantees of timely payment, or they guaranteed some loans that were financed privately. Although the debt instruments were the credit risk equivalent of U.S. Treasury securities, they required the agency or the guaranteed borrower to pay interest rates above Treasury yields because of each instrument's relative illiquidity, small size, and contractual terms that differed between agency issuers. The FFB was intended to ensure that Federal agencies paid the lowest possible interest rate for debt instruments that were 100 percent guaranteed by the full faith and credit of the United States. Pursuant to the original charter, the FFB was off-budget because its lending activity was intended to be neutral with respect to Federal agencies.

Under the provisions of Gramm-Rudman-Hollings, all of the transactions of the FFB have been moved on-budget. Almost all of the FFB's transactions are made on behalf of other Federal agencies, since the FFB is intended to be a means of financing agency debt and 100 percent guaranteed instruments. The 1987 Budget attributes FFB transactions to the individual agency budget accounts that are responsible for the transactions. The 1987 budget also stated that the Administration would propose legislation that will require Federal agencies that issue, sell or guarantee obligations of a type that is ordinarily financed in the securities market, as determined by the Secretary of the Treasury, to offer such obligations to the FFB.

The legislation would prevent agencies from using the less visible route of 100 percent loan guarantees in the securities market in preference to direct loans, in order to lower budget outlays yet still provide subsidies. Congress has attempted this route with loans formerly made by the FFB and guaranteed by the community development block grant program and the rural housing insurance fund.

In cases where the Government guarantees the timely payment of 100 percent of the loan principal and interest against all risk, it transforms a private loan into a near-Government direct loan financed by a near-Government security. The guaranteed loan will have essentially the same economic effects (i.e., subsidy) as a Government direct loan offered at moderate premiums above Treasury yields, except that private lenders will administer the loan and will probably charge higher fees than would a Federal agency. The Administration proposes to charge a fee for the use of 100 percent loan guarantees financed through the FFB or the securities market. The legislation would also help stimulate the use of co-insurance between Federal and private lenders, since loan guarantees of less than 100 percent need not be financed by the FFB.

Loan Asset Sales.--The Federal Government provides billions of dollars of direct loans to individuals, businesses, and State, local, and foreign governments. The Administration proposes to reduce the presence of the Government in the financial marketplace by beginning to sell the Federal direct loan portfolio.

The Federal Government's portfolio of direct loans has expanded greatly over the past two decades and had a book value of $257 billion at the end of 1985. Under the pilot loan asset sales program proposed in the President's 1987 budget, the Government would sell loans in 1987 with a book value of $4.4 billion. The goals of the loan asset sales are to: (1) reduce the Government's cost of administering credit by transferring servicing and collection, and other administrative activities to the private sector; (2) provide an incentive for agencies to improve loan origination and documentation data; (3) determine the actual subsidy of a Federal credit program; and (4) increase offsetting collections in the year of sale.

Since the budget was published, great interest has been expressed by many private sector groups in purchasing parts of the Federal portfolio. As a result of that interest, the Administration is evaluating the size of the pilot program and may propose expansion of the program soon. Table 7 shows the loan programs and amounts currently proposed to be sold in 1987 and estimated net receipts for each program.

Federal loan asset sales will take place according to specific guidelines established and approved by the Federal Credit Working Group that were issued on July 8, 1986. Among the guidelines are the following:

-- Loan asset sales shall be made without future recourse to the Government. Any credit enhancement measures shall be the responsibility of the purchaser.

-- With limited exceptions, loans to tax-exempt entities shall be sold only if the future interest payments on the loans are subject to full Federal income tax.

-- Collection and servicing shall be transferred to the purchaser with sale of a loan asset.

-- Loan asset sales may be conducted on a competitive bid or negotiated basis. In the latter case, the invitation to negotiate should be disseminated widely, and negotiations conducted as competitively as possible.

Some Congressional proposals require that loan assets be sold with recourse, despite the guidelines set by the Administration. Loan assets sold with recourse to the Government are not properly classified as offsetting collections that reduce the deficit. They are in fact more accurately considered a form of Federal borrowing, or a means of financing the deficit. Under such proposals, the Federal Government would bear all risk of non-payment, and in several proposed cases would have other ties to the loan. For these reasons, any asset sales with recourse will be treated as agency borrowing starting in FY 1988.

Table 7.--LOAN ASSETS PROPOSED TO BE SOLD IN 1987
(in millions of dollars)

Agency and Loan	Face Amount	Net Revenue
February budget (revised):		
Department of Education:		
Guaranteed student loans	200	30
National direct student loans	48	7
College housing loans	1,102	579
Higher education facilities loans	---	---
Small Business Administration:		
Business loan investment fund	1,153	251
Disaster loans	1,100	403
Veterans Administration:		
Vendee loans 1/	78	55
Department of Housing and Urban Development:		
Rehabilitation loans	10	4
FHA fund	300	267
Department of Agriculture:		
Rural development loans	100	52
Rural housing loans	100	26
Rural electricity loans	100	46
Rural telephone loans	100	36
Total, loan asset sales	4,391	1,755

1/ Vendee loans are currently sold with recourse. The non-recourse sales proposed here do not provide additional net revenues.

CURRENT SERVICES

Current services estimates reflect the spending and receipts of the Federal Government under existing laws without proposed future changes, whether the proposals are by the Administration or by Congress. Current services estimates include the impact of the 1986 sequester order. Table 8 shows the changes since February in the current services deficit estimates for 1986 through 1991. The changes for nondefense programs are mostly for the same economic and technical reasons described for changes in the President's budget levels for receipts and outlays. The estimates incorporate the effects of recently enacted legislation, including the Consolidated Omnibus Budget Reconciliation Act of 1985, the Federal Employees' Retirement System Act of 1986, and the Urgent Supplemental Appropriations Act of 1986.

Current services estimates for the national defense function are now equal to the Mid-Session Review levels for the President's budget in all years. For 1987, the budget authority in the President's budget is equal to the level in the 1987 Congressional Budget Resolution, including the additional funds in the special reserve fund. National defense function budget authority rises at a 3 percent real rate for 1988 through 1991.

The baseline that will be prepared jointly by OMB and the Congressional Budget Office for the August 20th report required by the Balanced Budget and Emergency Deficit Control Act of 1985 is similar to current services. Assuming that Congress has not passed any 1987 appropriation bills before August 15, this baseline will be based on the 1986 enacted levels for appropriations and current law levels for other outlays and receipts. This baseline will be below the current services level for defense and domestic appropriations primarily because current services adjusts 1986 program levels for inflation, while this baseline does not. For other programs, such as social security and for receipts, the two baselines will be very close. If the Congress enacts any full year appropriations bills or other legislation that affects direct spending or receipts before August 15, the August 20th report will reflect them.

Table 8 shows that current services deficits are projected to decline from $230.2 billion in 1986 to $64.1 billion in 1991. Current services estimates of receipts, outlays, and budget authority appear in the tables that conclude this document.

Table 8.--CHANGE IN CURRENT SERVICES DEFICITS
(in billions of dollars)

	1986	1987	1988	1989	1990	1991
February budget.....	205.6	181.8	150.0	138.9	126.3	103.9
Deficit effect of changes in:						
Receipts:						
Policy.....	-0.5	-2.0	-2.0	-2.0	-2.0	-2.1
Economic assumptions.....	11.0	19.7	16.3	7.4	6.2	11.1
Technical reestimates....	0.8	-1.2	-0.6	0.6	-0.7	0.6
Subtotal, receipts changes.....	11.3	16.5	13.7	6.0	3.5	9.6
Outlays:						
National defense.....	5.6	-2.8	-4.6	-10.3	-19.2	-26.2
Nondefense:						
Policy.....	0.4	-6.3	-1.4	-5.6	-8.9	-9.0
Economic assumptions...	-0.5	-13.4	-16.0	-15.8	-13.0	-15.2
Technical reestimates..	7.8	-4.3	-1.4	2.8	2.1	1.0
Subtotal, nondefense.	7.8	-24.0	-18.8	-18.7	-19.9	-23.2
Subtotal, outlay changes.....	13.4	-26.8	-23.4	-28.9	-39.1	-49.4
Total changes in deficit.....	24.6	-10.3	-9.7	-23.0	-35.6	-39.8
Current estimate.....	230.2	171.5	140.3	116.0	90.7	64.1

PROJECTIONS OF OUTLAYS FOR OPEN-ENDED PROGRAMS AND FIXED COSTS

As required by Section 221(b) of the Legislative Reorganization Act of 1970, presented in Table 9 are outlay projections for open-ended programs and fixed costs.

These projections indicate that, under existing legislation and the economic assumptions shown in Table 2, payments for individuals are estimated to grow by 6.1 percent per year from 1987 through 1991. In 1987, 49.5 percent of the open-ended payments for individuals is for the off-budget social security programs; this is projected to decline to 48.3 percent by 1991. Total open-ended programs and fixed costs are projected to comprise 58.1 percent of outlays in 1991, a slight increase from the 1987 share of 57.6 percent.

Table 9.--PROJECTIONS OF OUTLAYS FOR OPEN-ENDED PROGRAMS AND FIXED COSTS 1/
(in billions of dollars)

	Estimate				
	1987	1988	1989	1990	1991
Open-Ended Programs and Fixed Costs					
Payments for individuals:					
Social security and railroad retirement	207.1	219.1	233.1	247.0	255.9
On-budget	(2.8)	(2.9)	(3.2)	(3.4)	(3.4)
Off-budget	(204.3)	(216.2)	(229.9)	(243.6)	(252.4)
Federal employees' retirement and insurance	55.6	57.8	60.7	63.5	66.1
Unemployment assistance	15.5	16.0	16.0	16.1	16.0
Medical care	98.9	111.6	122.3	134.3	146.9
Assistance to students	4.1	4.1	4.0	3.8	3.7
Food and nutrition assistance	4.2	4.4	4.8	5.1	5.4
Public assistance and related programs	24.1	24.4	25.1	24.8	26.0
All other relatively uncontrollable payments for individuals	3.0	3.1	3.1	3.1	3.1
Subtotal, payments for individuals	412.6	440.5	469.0	497.7	523.1
Net interest	139.7	141.1	137.0	129.2	118.3
On-budget	(144.8)	(148.1)	(147.1)	(142.1)	(134.6)
Off-budget	(-5.0)	(-7.0)	(-10.1)	(-13.0)	(-16.3)
General revenue sharing	0.8	---	---	---	---
Farm price supports (CCC)	14.4	19.5	19.7	17.8	14.8
Other open-ended programs and fixed costs	-6.4	-10.6	-12.7	-13.5	-14.2
Total, open-ended programs and fixed costs	561.2	590.4	613.0	631.1	642.0

1/ This table is supplied pursuant to the requirements of Section 221(b) of the Legislative Reorganization Act of 1970.

SPENDING FROM BALANCES OF BUDGET AUTHORITY AVAILABLE AT THE END OF FISCAL YEAR 1987: NONMANDATORY PROGRAMS

Current law requires a projection of the estimated spending in the four succeeding fiscal years from the balances of budget authority outstanding at the end of 1987. These estimates for relatively controllable programs are provided in Table 10. The estimated amount of budget authority classified as standby authority is also provided. Standby authority is budget authority held in reserve to be used to cover losses incurred by insurance programs or to pay for certain other contingencies. Table 10 also provides the estimated amount of budget authority that will remain unexpended or that will have expired at the end of 1991.

The amount of budget authority balances for nonmandatory programs at the end of 1987 is estimated to total $682.4 billion. Of this total, $17.9 billion is classified as standby authority that is not anticipated to be spent. From the remaining $664.5 billion, it is estimated that $240.1 billion (36 percent) will be spent in 1988 and that $111.5 billion (17 percent) will be spent in 1989. At the end of 1991, it is estimated that $212.8 billion (32 percent) will be unexpended. No 1987 balances are projected to expire between 1988 and 1991.

Table 10.--ESTIMATED SPENDING FROM END OF FISCAL YEAR 1987 BALANCES OF BUDGET AUTHORITY: NONMANDATORY PROGRAMS
(in billions of dollars)

	Federal Guarantee and Insurance Programs: Reserves for Losses, and Standby and Backup Authority	Other Unexpended Balances Sept. 30, 1987	Total
Total balances, end of 1987 (Current estimate)...	17.9	664.5	682.4
Spending from 1987 balances in:			
1988.....	---	240.1	240.1
1989.....	---	111.5	111.5
1990.....	---	62.9	62.9
1991.....	---	37.2	37.2
Expiring balances, 1988 through 1991.....	---	---	---
Unexpended balances as of the end of 1991....	17.9	212.8 1/	230.7

1/ Includes $166.8 billion in subsidized housing unexpended balances in the Department of Housing and Urban Development.

Table 11.--RECEIPTS BY MAJOR SOURCE
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
Individual income taxes..	334.5	353.7	386.0	425.9	455.5	482.0	516.3	349.1	381.7	423.1	458.1	488.6	518.9
Corporation income taxes.	61.3	70.9	86.7	101.2	111.8	119.7	125.6	61.6	75.0	92.6	104.9	110.4	114.3
Social insurance taxes and contributions.....	265.2	280.4	302.8	335.0	358.1	384.1	407.7	284.2	304.6	333.9	357.4	384.3	408.1
On-budget.....	(79.0)	(82.5)	(88.5)	(92.1)	(94.5)	(97.9)	(102.3)	(83.3)	(88.7)	(89.7)	(92.0)	(95.5)	(99.6)
Off-budget.....	(186.2)	(197.9)	(214.3)	(242.8)	(263.7)	(286.1)	(305.4)	(200.9)	(216.0)	(244.1)	(265.4)	(288.8)	(308.4)
Excise taxes.....	36.0	34.6	35.2	33.4	32.7	33.2	33.6	32.4	32.5	31.7	31.2	31.8	32.5
Estate and gift taxes....	6.4	6.1	5.7	5.4	5.1	5.4	5.8	6.7	6.6	6.4	5.5	5.9	6.3
Customs duties.....	12.1	12.4	12.9	13.6	14.1	14.7	15.4	12.4	12.8	13.4	14.2	15.2	16.7
Miscellaneous receipts...	18.5	19.0	21.1	18.7	18.7	19.0	19.6	18.9	18.1	17.3	16.4	16.4	16.4
Total.....	734.1	777.1	850.4	933.2	996.1	1,058.1	1,124.0	765.2	831.2	918.2	987.6	1,052.4	1,113.3
On-budget.....	(547.9)	(579.2)	(636.1)	(690.4)	(732.5)	(771.9)	(818.6)	(564.3)	(615.2)	(674.1)	(722.2)	(763.6)	(804.8)
Off-budget.....	(186.2)	(197.9)	(214.3)	(242.8)	(263.7)	(286.1)	(305.4)	(200.9)	(216.0)	(244.1)	(265.4)	(288.8)	(308.4)

Table 12.--OUTLAYS BY AGENCY
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
Legislative Branch	1.6	1.9	2.0	2.0	2.0	2.1	2.1	1.9	2.0	2.0	2.0	2.1	2.1
The Judiciary	1.0	1.1	1.2	1.2	1.3	1.3	1.3	1.1	1.2	1.2	1.3	1.3	1.3
Executive Office of the President	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Funds Appropriated to the President	12.0	12.5	13.8	13.4	12.8	12.1	12.2	12.9	11.5	12.4	10.8	9.7	9.5
Agriculture	55.5	54.2	44.6	44.6	43.6	39.9	35.8	60.9	42.4	47.4	45.9	43.1	40.5
Commerce	2.1	2.0	2.1	2.2	2.1	2.5	2.2	2.0	2.1	2.2	2.1	2.5	2.2
Defense - Military	245.4	258.4	274.3	290.7	313.3	335.5	356.6	263.5	274.4	291.1	310.0	326.1	344.0
Defense - Civil	18.8	20.6	20.9	22.1	23.4	24.5	25.7	20.6	20.9	22.0	23.2	24.4	25.5
Education	16.7	17.8	15.4	14.4	14.6	14.2	14.0	17.5	16.2	14.7	14.2	13.7	13.3
Energy	10.6	10.1	10.2	11.7	12.3	12.6	13.1	11.3	10.1	11.1	11.4	12.1	12.6
Health and Human Services, except social security	132.1	140.9	139.1	148.8	157.5	166.0	175.3	142.7	137.2	147.1	156.2	164.7	175.1
Health and Human Services, social security	183.4	192.0	206.5	219.7	232.7	247.4	257.0	191.3	202.0	212.2	224.6	238.3	252.2
Housing and Urban Development	28.7	15.2	13.9	13.3	12.4	12.5	12.7	14.9	13.7	13.2	11.9	11.6	11.6
Interior	4.8	4.6	4.3	4.2	4.2	4.2	4.3	5.1	4.5	4.4	4.2	4.3	4.2
Justice	3.6	3.8	4.1	4.2	4.2	4.2	4.3	3.8	4.2	4.3	4.3	4.3	4.4
Labor	23.9	23.1	23.2	23.7	23.8	24.0	24.2	23.6	23.3	23.5	23.6	23.9	24.3
State	2.6	2.9	3.6	3.7	4.1	4.2	4.0	2.8	3.3	3.5	3.9	4.0	4.0
Transportation	25.0	26.3	24.7	23.3	22.6	22.9	22.2	28.0	25.0	23.6	22.9	23.0	22.3
Treasury	165.1	184.7	188.3	193.1	188.4	181.9	176.9	181.7	181.6	187.4	189.3	187.8	182.4
Environmental Protection Agency	4.5	4.6	4.5	4.4	4.4	4.1	3.6	4.8	4.4	4.3	4.3	4.0	3.6
General Services Administration	-0.2	*	*	-0.9	-0.3	-0.3	-0.4	0.2	-0.5	-0.9	-0.3	-0.3	-0.4
National Aeronautics and Space Administration	7.3	7.3	7.5	7.5	8.2	9.0	9.5	7.4	7.6	7.8	8.2	9.0	9.5
Office of Personnel Management	23.7	24.1	24.7	26.2	27.4	28.5	29.6	23.9	26.7	27.3	28.4	29.4	30.3
Small Business Administration	0.7	0.9	0.1	---	---	---	---	0.6	0.1	---	---	---	---

Table 12.--OUTLAYS BY AGENCY (continued)
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
Veterans Administration	26.3	26.5	26.4	26.7	26.7	27.0	27.0	26.6	26.0	25.9	26.1	26.4	26.7
Other independent agencies	9.8	10.9	10.1	12.6	8.5	7.9	7.9	12.7	10.0	10.8	8.1	7.8	8.3
Allowances	---	---	0.8	2.4	3.5	4.7	5.9	---	1.4	4.4	5.4	6.9	8.3
Undistributed offsetting receipts:													
Interest received by on-budget trust funds	-22.1	-26.7	-29.6	-33.5	-36.7	-39.0	-40.8	-26.6	-29.3	-32.8	-36.1	-38.7	-40.8
Interest received by off-budget trust funds	-4.1	-4.4	-4.7	-6.3	-8.7	-10.8	-13.3	-4.3	-5.0	-7.0	-10.1	-13.1	-16.3
Interest received from Outer Continental Shelf escrow account	-*	-0.3	---	-2.5	-1.0	---	---	-1.1	-0.9	-0.6	---	---	---
Employer share, employee retirement:													
On-budget	-24.7	-26.3	-28.5	-30.2	-31.7	-33.1	-34.4	-26.3	-30.0	-34.1	-35.9	-37.6	-39.2
Off-budget	-2.5	-2.8	-3.2	-3.7	-4.2	-4.8	-5.3	-2.9	-3.3	-5.1	-5.6	-6.2	-6.7
Rents and royalties on the Outer Continental Shelf	-5.5	-5.5	-5.3	-8.2	-6.4	-5.6	-5.6	-5.3	-4.2	-3.9	-3.7	-3.9	-4.3
Sale of major physical assets (proposed)	---	-1.2	-1.2	-4.2	-1.5	-5.8	-4.8	---	-3.6	-4.1	-1.9	-5.4	-4.4
Total, undistributed offsetting receipts	-59.0	-67.1	-72.5	-88.6	-90.2	-99.1	-104.2	-66.4	-76.3	-87.8	-93.4	-104.9	-111.8
Total outlays	946.3	979.9	994.0	1026.8	1063.6	1093.8	1122.7	995.4	975.1	1015.7	1048.7	1075.4	1105.9
ADDENDUM:													
On-budget	(769.5)	(795.2)	(795.4)	(817.1)	(843.8)	(862.1)	(884.3)	(811.3)	(781.4)	(815.7)	(839.9)	(856.5)	(876.7)
Off-budget	(176.8)	(184.7)	(198.6)	(209.6)	(219.9)	(231.8)	(238.5)	(184.2)	(193.6)	(200.0)	(208.8)	(219.0)	(229.2)

* $50 million or less.

Table 13.--OUTLAYS BY FUNCTION
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
National defense.....	252.7	265.8	282.2	299.1	322.3	344.8	366.3	271.4	282.2	299.1	318.3	334.9	353.3
Department of Defense--Military...	(245.4)	(258.4)	(274.3)	(290.7)	(313.3)	(335.5)	(356.6)	(263.5)	(274.4)	(291.1)	(310.0)	(326.1)	(344.0)
Other.....	(7.4)	(7.4)	(8.0)	(8.4)	(9.0)	(9.3)	(9.7)	(7.9)	(7.8)	(7.9)	(8.3)	(8.8)	(9.3)
International affairs..	16.2	17.1	18.6	18.3	18.0	17.5	17.7	16.3	15.8	17.0	15.8	15.0	15.2
General science, space, and technology.....	8.6	8.9	9.2	9.3	10.2	11.0	11.7	9.0	9.3	9.6	10.1	11.0	11.6
Energy.....	5.7	4.4	4.0	4.5	3.9	3.7	3.9	5.6	2.7	4.6	3.8	4.0	4.1
Natural resources and environment.....	13.4	12.9	12.0	11.8	11.7	11.2	10.7	13.5	12.4	12.1	11.9	11.5	11.1
Agriculture.....	25.6	25.9	19.5	19.7	18.9	15.4	11.4	31.9	18.7	23.0	22.0	19.5	16.9
Commerce and housing credit.....	4.2	3.8	1.4	3.8	-0.5	-1.0	-1.8	6.3	0.8	0.9	-2.4	-3.0	-4.0
Transportation.....	25.8	27.1	25.5	24.1	23.4	23.7	23.1	28.7	25.8	24.4	23.7	23.8	23.2
Community and regional development.....	7.7	7.9	6.5	5.5	5.0	5.2	5.2	7.8	6.9	5.7	4.9	5.1	5.0
Education, training, employment, and social services.....	29.3	30.7	27.4	26.3	26.4	26.0	26.0	30.5	28.6	26.8	26.1	25.6	25.2
Health.....	33.5	35.7	35.0	36.7	37.9	39.4	40.7	36.4	35.9	36.0	37.9	39.6	41.1
Medicare.....	65.8	68.7	70.2	76.0	83.0	90.5	98.4	69.0	67.1	76.1	81.9	89.1	96.7
Income security.....	128.2	118.1	118.4	123.1	125.7	128.3	132.5	119.7	120.7	123.5	127.1	129.7	134.1
Social security.....	188.6	200.1	212.2	226.1	239.9	254.7	263.5	199.5	207.5	218.4	231.5	245.2	259.0
On-budget.....	(5.2)	(8.0)	(5.7)	(6.4)	(7.2)	(7.4)	(6.5)	(8.2)	(5.5)	(6.1)	(6.9)	(6.9)	(6.8)
Off-budget.....	(183.4)	(192.0)	(206.5)	(219.7)	(232.7)	(247.4)	(257.0)	(191.3)	(202.0)	(212.2)	(224.6)	(238.3)	(252.2)
Veterans benefits and services.....	26.4	26.6	26.4	26.9	26.9	27.2	27.1	26.7	26.0	26.2	26.2	26.5	26.9
Administration of justice.....	6.3	6.8	6.9	7.0	7.1	7.1	7.2	6.8	7.1	7.2	7.2	7.2	7.3
General government.....	5.2	6.3	6.1	5.7	6.1	5.9	5.6	6.5	5.7	5.8	6.2	6.0	5.7
General purpose fiscal assistance.....	6.4	6.2	1.7	1.8	1.9	2.0	2.0	5.6	2.4	1.6	1.7	1.7	1.8

Table 13.--OUTLAYS BY FUNCTION (continued)
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
Net interest.....	129.4	142.7	148.0	145.1	136.0	125.6	115.9	138.9	139.1	140.8	136.8	129.1	118.3
On-budget.....	(133.6)	(147.2)	(152.7)	(151.4)	(144.7)	(136.4)	(129.1)	(143.2)	(144.1)	(147.8)	(146.9)	(142.3)	(134.6)
Off-budget.....	(-4.1)	(-4.4)	(-4.7)	(-6.3)	(-8.7)	(-10.8)	(-13.3)	(-4.3)	(-5.0)	(-7.0)	(-10.2)	(-13.1)	(-16.3)
Allowances.....	---	---	0.7	2.3	3.5	4.7	5.9	---	1.4	4.4	5.4	6.9	8.3
Undistributed offsetting receipts:													
Employer share, employee retirement:													
On-budget.....	-24.7	-26.3	-28.5	-30.2	-31.7	-33.1	-34.4	26.3	-30.0	-34.1	-35.9	37.6	-39.2
Off-budget.....	-2.5	-2.8	-3.2	-3.7	-4.2	-4.8	-5.3	-2.9	-3.3	-5.1	-5.6	-6.2	-6.7
Rents and royalties on the Outer Continental Shelf...	-5.5	-5.5	-5.3	-8.2	-6.4	-5.6	-5.6	-5.3	-4.2	-3.9	-3.7	-3.9	-4.3
Sale of major physical assets (proposed).....	---	-1.2	-1.2	-4.2	-1.5	-5.8	-4.8	---	-3.6	-4.1	-1.9	-5.4	-4.4
Total, undistributed offsetting receipts...	-32.8	-35.8	-38.2	-46.3	-43.8	-49.3	-50.1	-34.5	-41.1	-47.3	-47.1	-53.1	-54.7
Total outlays.....	946.3	979.9	994.0	1026.8	1063.6	1093.8	1122.7	995.4	975.1	1015.7	1048.7	1075.4	1105.9
ADDENDUM:													
On-budget.....	(769.5)	(795.2)	(795.4)	(817.1)	(843.8)	(862.1)	(884.3)	(811.3)	(781.4)	(815.7)	(839.9)	(856.5)	(876.7)
Off-budget.....	(176.8)	(184.7)	(198.6)	(209.6)	(219.9)	(231.8)	(238.5)	(184.2)	(193.6)	(200.0)	(208.8)	(219.0)	(229.2)

* $50 million or less

Table 14.--BUDGET AUTHORITY BY AGENCY
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
Legislative Branch.....	1.7	1.8	2.0	2.0	2.0	2.1	2.1	1.7	2.0	2.0	2.0	2.1	2.1
The Judiciary.....	1.1	1.0	1.2	1.3	1.3	1.3	1.4	1.0	1.2	1.3	1.3	1.3	1.4
Executive Office of the President.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Funds Appropriated to the President.....	20.5	15.3	15.6	14.7	14.4	14.1	13.9	15.9	13.3	12.7	12.2	11.5	11.2
Agriculture.....	61.9	56.7	45.8	48.8	49.1	45.3	40.5	61.9	45.8	50.5	50.8	48.1	44.9
Commerce.....	2.3	1.9	1.8	1.9	1.9	2.8	1.8	2.0	1.8	1.9	1.9	2.8	1.8
Defense - Military.....	286.8	278.4	311.6	332.4	353.5	374.7	395.5	278.3	290.8	309.8	329.8	350.2	371.1
Defense - Civil.....	30.4	34.0	36.6	39.2	41.8	44.5	46.9	34.0	36.6	39.1	41.5	44.1	46.5
Education.....	19.1	16.7	15.2	14.9	14.7	14.1	14.0	17.9	15.3	15.1	14.2	13.7	13.2
Energy.....	12.6	9.9	10.3	12.1	12.7	13.1	13.6	10.5	9.5	11.8	12.2	12.6	13.1
Health and Human Services; except social security.....	141.1	154.5	151.0	162.3	172.6	181.2	189.7	156.4	152.0	160.7	172.4	181.9	192.1
Health and Human Services; social security.....	191.0	194.6	222.2	252.8	276.5	301.8	324.0	197.4	224.3	256.3	281.2	308.1	331.4
Housing and Urban Development.....	31.4	10.7	5.5	10.0	9.7	10.4	16.8	16.1	8.8	9.6	9.1	9.0	15.5
Interior.....	5.0	4.3	3.9	4.0	4.0	4.1	4.0	4.7	4.2	4.2	4.2	4.3	4.2
Justice.....	3.8	3.8	4.3	4.3	4.4	4.4	4.5	3.9	4.3	4.3	4.3	4.4	4.4
Labor.....	27.7	27.2	28.5	27.5	26.2	27.0	27.5	28.1	27.4	25.5	25.2	25.9	26.1
State.....	3.6	4.1	4.9	4.4	4.4	4.0	3.9	4.1	3.9	4.6	4.5	4.2	3.8
Transportation.....	28.8	26.8	21.7	21.6	21.7	21.8	21.9	28.1	21.8	21.7	21.7	21.8	21.9
Treasury.....	166.3	184.0	190.3	193.1	188.6	182.1	176.9	182.1	182.4	187.5	189.4	187.9	182.4
Environmental Protection Agency.....	4.3	4.6	4.2	3.6	2.9	2.3	2.3	4.0	4.2	3.6	2.9	2.3	2.3
General Services Administration.....	0.3	0.2	0.2	-0.3	0.1	0.1	0.1	0.3	-0.2	-0.3	0.1	0.1	0.1
National Aeronautics and Space Administration	7.6	7.3	7.7	8.1	9.0	9.4	9.9	7.8	7.7	8.1	9.0	9.4	9.9
Office of Personnel Management.....	41.6	42.9	46.6	49.6	51.8	53.3	55.1	43.5	46.6	49.0	50.9	52.6	54.1
Small Business Administration.....	1.3	0.9	0.1	---	---	---	---	0.7	0.1	---	---	---	---
Veterans Administration.	27.3	27.0	26.6	27.2	27.4	27.8	27.8	27.0	26.3	26.8	27.0	27.3	27.7

Table 14.--BUDGET AUTHORITY BY AGENCY (Cont.)
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
Other independent agencies	15.5	17.0	15.7	16.5	13.8	13.9	14.1	15.2	16.2	18.1	17.2	17.5	17.8
Allowances	---	---	0.8	2.4	3.6	4.7	6.0	---	1.4	4.4	5.4	6.9	8.3
Undistributed offsetting receipts:													
Interest received by on-budget trust funds	-22.1	-26.7	-29.6	-33.5	-36.7	-39.0	-40.8	-26.6	-29.3	-32.8	-36.1	-38.7	-40.8
Interest received by off-budget trust funds	-4.1	-4.4	-4.7	-6.3	-8.7	-10.8	-13.3	-4.3	-5.0	-7.0	-10.2	-13.1	-16.3
Interest received from Outer Continental Shelf escrow account	-*	-0.3	---	-2.5	-1.0	---	---	-1.1	-0.9	-0.6	---	---	---
Employer share, employee retirement:													
On-budget	-24.7	-26.3	-28.5	-30.2	-31.7	-33.1	-34.4	-26.3	-30.0	-34.1	-35.9	-37.6	-39.2
Off-budget	-2.5	-2.8	-3.2	-3.7	-4.2	-4.8	-5.3	-2.9	-3.3	-5.1	-5.6	-6.2	-6.7
Rents and royalties on the Outer Continental Shelf	-5.5	-5.5	-5.3	-8.2	-6.4	-5.6	-5.6	-5.3	-4.2	-3.9	-3.7	-3.9	-4.3
Sale of major physical assets (proposed)	---	-1.2	-1.2	-4.2	-1.5	-5.8	-4.8	---	-3.6	-4.1	-1.9	-5.4	-4.4
Total, undistributed offsetting receipts	-59.0	-67.2	-72.5	-88.6	-90.2	-99.1	-104.2	-66.4	-76.3	-87.8	-93.4	-104.9	-111.8
Total budget authority	1074.1	1058.7	1102.0	1165.9	1218.0	1261.3	1310.1	1076.4	1071.5	1140.4	1197.5	1245.4	1295.7
ADDENDUM:													
On-budget	(889.7)	(871.4)	(887.7)	(923.1)	(954.4)	(975.2)	(1004.7)	(886.1)	(855.6)	(896.3)	(932.1)	(956.6)	(987.3)
Off-budget	(184.3)	(187.3)	(214.3)	(242.8)	(263.7)	(286.1)	(305.4)	(190.3)	(216.0)	(244.1)	(265.4)	(288.8)	(308.4)

* $50 million or less.

Table 15.-- BUDGET AUTHORITY BY FUNCTION
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1985	1987	1988	1989	1990	1991
National defense.....	294.7	286.1	320.3	341.6	363.2	384.8	405.9	286.0	299.0	318.4	338.8	359.7	381.0
Department of Defense--Military...	(286.8)	(278.4)	(311.6)	(332.4)	(353.5)	(374.7)	(395.5)	(278.3)	(290.8)	(309.8)	(329.8)	(350.2)	(371.1)
Other.....	(7.9)	(7.7)	(8.7)	(9.2)	(9.7)	(10.1)	(10.4)	(7.8)	(8.2)	(8.6)	(9.0)	(9.5)	(9.9)
International affairs..	26.5	20.8	22.6	21.5	21.5	20.9	20.8	21.3	19.3	19.8	19.4	18.5	18.0
General science, space, and technology.....	9.2	8.8	9.5	10.0	11.0	11.5	12.1	9.3	9.5	10.0	11.0	11.5	12.1
Energy.....	8.8	5.8	4.4	5.3	4.8	4.7	4.7	7.0	4.2	5.6	5.0	4.7	4.7
Natural resources and environment.....	13.3	12.0	10.9	10.6	10.0	9.4	9.4	12.0	11.3	10.9	10.4	9.8	9.8
Agriculture.....	27.5	28.1	19.6	22.3	22.6	18.4	13.6	31.7	20.2	24.9	25.3	22.2	18.9
Commerce and housing credit.....	12.1	8.7	10.2	8.7	6.5	7.6	7.1	8.4	9.7	7.4	6.4	7.3	6.5
Transportation.....	29.6	27.6	22.6	22.4	22.5	22.6	22.7	28.9	22.6	22.5	22.5	22.7	22.8
Community and regional development.....	8.2	6.8	3.8	5.0	4.8	5.5	5.5	7.3	4.3	4.9	4.8	5.5	5.5
Education, training, employment, and social services.....	32.4	28.6	27.0	26.6	26.6	26.1	26.0	30.4	27.1	27.0	26.0	25.7	25.2
Health.....	33.6	35.4	35.3	36.5	38.0	39.4	40.8	37.0	35.3	35.9	37.8	39.8	41.2
Medicare.....	71.7	86.7	82.3	89.8	98.1	105.8	112.7	86.8	82.5	89.6	98.1	106.3	113.7
Income security.....	164.1	151.4	153.3	163.3	166.0	171.2	183.5	157.2	156.5	161.8	166.6	171.3	183.3
Social security.....	199.5	199.4	227.9	259.2	283.7	309.1	330.5	202.4	229.8	262.5	288.0	315.0	338.3
On-budget.....	(8.5)	(4.8)	(5.7)	(6.4)	(7.2)	(7.4)	(6.5)	(5.0)	(5.5)	(6.1)	(6.9)	(6.9)	(6.8)
Off-budget.....	(191.0)	(194.6)	(222.2)	(252.8)	(276.5)	(301.8)	(324.0)	(197.4)	(224.3)	(256.3)	(281.2)	(308.1)	(331.4)
Veterans benefits and services.....	27.4	27.4	26.7	27.3	27.5	27.8	27.9	27.4	26.4	26.8	27.1	27.4	27.8
Administration of justice.....	6.7	6.6	7.1	7.2	7.3	7.4	7.5	6.8	7.1	7.2	7.3	7.4	7.5
General government.....	6.0	6.4	6.2	5.7	6.1	6.0	5.7	6.5	5.8	5.8	6.2	6.1	5.8

Table 15.--BUDGET AUTHORITY BY FUNCTION (continued)
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
General purpose fiscal assistance	6.3	5.2	1.7	1.8	1.9	2.0	2.0	5.4	1.6	1.6	1.7	1.7	1.8
Net interest	129.4	142.7	148.0	145.1	136.0	125.6	115.9	138.9	139.0	140.8	136.8	129.2	118.3
On-budget	(133.6)	(147.2)	(152.7)	(151.4)	(144.7)	(136.4)	(129.1)	(143.2)	(144.1)	(147.8)	(146.9)	(142.3)	(134.6)
Off-budget	(-4.1)	(-4.4)	(-4.7)	(-6.3)	(-8.7)	(-10.8)	(-13.3)	(-4.3)	(-5.0)	(-7.0)	(-10.2)	(-13.1)	(-16.3)
Allowances	---	---	0.8	2.4	3.6	4.8	5.9	---	1.4	4.4	5.4	6.9	8.3
Undistributed offsetting receipts:													
Employer share, employee retirement													
On-budget	-24.7	-26.3	-28.5	-30.2	-31.7	-33.1	-34.4	-26.3	-30.0	-34.1	-35.9	-37.6	-39.2
Off-budget	-2.5	-2.8	-3.2	-3.7	-4.2	-4.8	-5.3	-2.9	-3.3	-5.1	-5.6	-6.2	-6.7
Rents and royalties on the Outer Continental Shelf	-5.5	-5.5	-5.3	-8.2	-6.4	-5.6	-5.6	-5.3	-4.2	-3.9	-3.7	-3.9	-4.3
Sale of major physical assets (proposed)	---	-1.2	-1.2	-4.2	-1.5	-5.8	-4.8	---	-3.6	-4.1	-1.9	-5.4	-4.4
Total, undistributed offsetting receipts	-32.8	-35.8	-38.2	-46.3	-43.8	-49.3	-50.1	-34.5	-41.1	-47.3	-47.1	-53.1	-54.7
Total budget authority	1074.1	1058.7	1102.0	1165.9	1218.0	1261.3	1310.1	1076.4	1071.5	1140.4	1197.5	1245.4	1295.7
ADDENDUM:													
On-budget	(889.7)	(871.4)	(887.7)	(923.1)	(954.4)	(975.2)	(1004.7)	(886.1)	(855.6)	(896.3)	(932.1)	(956.6)	(987.3)
Off-budget	(184.3)	(187.3)	(214.3)	(242.8)	(263.7)	(286.1)	(305.4)	(190.3)	(216.0)	(244.1)	(265.4)	(288.8)	(308.4)

* $50 million or less.

Table 16.--NEW DIRECT LOAN OBLIGATIONS BY AGENCY
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
Funds appropriated to the President...	6.3	6.5	7.3	7.4	7.5	7.6	7.6	6.5	7.2	7.3	7.4	7.5	7.6
Agriculture.....	23.3	25.8	16.2	14.7	12.2	9.8	7.8	27.2	16.6	15.1	13.5	10.7	9.2
Commerce.....	0.1	*	*	*	*	*	*	*	*	*	*	*	*
Defense.....	1.5	0.5	---	---	---	---	---	0.5	---	---	---	---	---
Education.....	1.3	1.3	1.6	1.7	1.8	1.8	1.8	1.5	1.3	1.7	1.8	1.8	1.7
Energy.....	*	*	*	---	---	---	---	*	*	---	---	---	---
Health and Human Services.....	*	*	*	*	*	*	*	*	*	*	*	*	*
Housing and Urban Development.....	15.2	2.1	2.0	1.6	0.9	0.8	0.8	2.8	2.2	2.0	1.3	0.9	0.8
Interior.....	0.1	0.1	0.1	0.1	0.1	*	*	0.1	0.1	0.1	0.1	*	*
Labor.....	*	*	*	*	*	*	*	*	*	*	*	*	*
State.....	*	*	*	*	*	*	*	*	*	*	*	*	*
Transportation.....	0.4	0.6	0.2	0.1	0.1	0.1	0.1	1.5	0.2	0.1	0.1	0.1	0.1
Treasury.....	0.1	---	---	---	---	---	---	---	---	---	---	---	---
Environmental Protection Agency..	*	*	*	---	---	---	---	*	*	---	---	---	---
Small Business Administration.....	1.5	1.5	1.1	0.4	0.2	0.2	0.1	1.3	1.0	0.4	0.2	0.2	0.1
Veterans Administration.....	1.1	1.1	1.2	1.1	1.0	0.9	0.9	1.1	1.1	1.0	1.0	1.0	1.1
Other independent agencies: Export-Import Bank.....	0.7	1.1	---	---	---	---	---	0.6	---	---	---	---	---

Table 16.--NEW DIRECT LOAN OBLIGATIONS BY AGENCY (continued)
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
Federal Deposit Insurance Corporation.....	---	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.2
Federal Home Loan Bank Board (FSLIC).	0.8	0.5	0.5	0.5	0.5	0.5	0.5	*	*	*	*	*	*
National Credit Union Admin.....	*	0.1	0.1	0.2	0.2	0.2	0.2	*	0.1	0.2	0.2	0.2	0.2
Tennessee Valley Authority.....	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2
Total.....	52.8	41.6	30.6	28.0	24.8	22.3	20.1	43.7	30.1	28.2	26.0	22.7	21.1

* $50 million or less.
NOTE: Loans guaranteed by Federal agencies and disbursed by the Federal Financing Bank (FFB) are included in agency totals.

Table 17.--NEW GUARANTEED LOAN COMMITMENTS BY AGENCY
(in billions of dollars)

Department or Other Unit	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
Funds appropriated to the President	0.3	0.3	0.2	0.2	---	---	---	0.3	0.2	0.2	---	---	---
Agriculture	3.9	7.2	5.5	6.0	6.5	7.0	7.0	7.3	5.5	6.0	6.5	7.0	7.0
Commerce	0.1	0.1	*	---	---	---	---	0.1	*	---	---	---	---
Education	8.9	9.3	9.8	11.4	12.9	14.0	14.7	9.3	8.3	9.3	10.	10.9	11.2
Health and Human Services	0.3	0.4	0.1	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.1
Housing and Urban Development	102.0	109.8	92.5	89.0	89.8	89.5	90.5	241.5	214.4	205.1	200.5	200.9	200.7
Interior	*	0.1	*	*	*	*	*	0.1	*	*	*	*	*
Transportation	*	0.1	---	---	---	---	---	0.1	---	---	---	---	---
Small Business Administration	2.8	3.0	---	---	---	---	---	3.3	---	---	---	---	---
Veterans Administration	12.1	12.3	14.7	14.6	14.4	14.3	14.2	38.3	35.0	29.4	27.7	24.8	21.0
Other independent agencies:													
Export-Import Bank	7.8	11.5	12.0	12.0	12.0	12.0	12.0	5.8	10.3	12.0	12.0	12.0	12.0
Federal Home Loan Bank Board (FSLIC)	0.9	0.4	0.4	0.3	0.2	0.2	0.1	0.5	0.5	0.5	0.4	0.3	0.2
National Credit Union Admin	*	---	---	---	---	---	---	---	---	---	---	---	---
Synthetic Fuels Corporation	0.1	---	---	---	---	---	---	---	---	---	---	---	---
Subtotal, guaranteed loans (gross)	139.3	154.3	135.1	133.6	136.0	137.2	138.7	306.9	274.3	262.6	257.4	256.0	252.2
Less: Secondary guaranteed loans	-54.6	-60.5	-55.4	-51.9	-52.6	-52.4	-53.3	-124.7	-125.0	-124.9	-120.6	-118.6	-116.3
Total	84.7	93.8	79.8	81.7	83.3	84.8	85.4	182.1	149.3	137.6	136.7	137.4	135.9

* $50 million or less.

Table 18.--CURRENT SERVICES RECEIPTS BY MAJOR SOURCE
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
Individual income taxes..	334.5	354.0	385.8	426.2	456.3	483.6	518.1	349.1	381.5	423.1	458.5	489.6	520.3
Corporation income taxes.	61.3	70.9	86.5	100.2	110.0	117.8	123.5	61.5	74.6	91.4	103.0	108.3	112.1
Social insurance taxes and contributions.....	265.2	280.4	301.4	333.4	355.9	383.0	407.8	284.2	302.4	331.4	355.4	383.5	407.1
On-budget.....	(79.0)	(82.5)	(87.4)	(90.8)	(93.1)	(96 8)	(101.5)	(83.3)	(87.3)	(88.4)	(90.8)	(94.6)	(98.8)
Off-budget.....	(186.2)	(197.9)	(214.0)	(242.6)	(262.8)	(286.2)	(306.3)	(200.9)	(215.1)	(243.0)	(264.6)	(288.9)	(308.3)
Excise taxes.....	36.0	33.6	32.0	30.1	29.3	29.8	30.3	32.4	31.7	30.9	30.4	31.0	31.8
Estate and gift taxes....	6.4	6.1	5.6	5.4	5.1	5.4	5.8	6.7	6.5	6.3	5.5	5.9	6.3
Customs duties.....	12.1	12.4	12.9	13.6	14.1	14.7	15.4	12.4	12.8	13.4	14.2	15.2	16.7
Miscellaneous receipts...	18.5	19.0	19.8	18.5	18.5	18.8	19.4	18.9	17.9	17.1	16.2	16.2	16.3
Total.....	734.1	776.5	844.1	927.3	989.2	1,053.0	1,120.2	765.2	827.6	913.6	983.2	1,049.6	1,110.6
On-budget.....	(547.9)	(578.5)	(630.1)	(684.7)	(726.4)	(766.9)	(813.9)	(564.3)	(612.4)	(670.6)	(718.6)	(760.7)	(802.3)
Off-budget.....	(186.2)	(197.9)	(214.0)	(242.6)	(262.8)	(286.2)	(306.3)	(200.9)	(215.1)	(243.0)	(264.6)	(288.9)	(308.3)

Table 19.--CURRENT SERVICES OUTLAYS BY AGENCY
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
Legislative Branch	1.6	1.9	2.0	2.0	2.0	2.1	2.1	1.9	2.0	2.0	2.0	2.1	2.1
The Judiciary	1.0	1.1	1.2	1.2	1.3	1.3	1.3	1.1	1.2	1.2	1.3	1.3	1.3
Executive Office of the President	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Funds appropriated to the President	12.0	12.5	13.1	12.6	11.9	11.3	11.5	12.9	12.3	13.3	12.2	11.6	11.6
Agriculture	55.5	54.7	50.0	51.3	51.8	49.6	45.9	60.9	46.8	54.0	54.3	52.8	50.1
Commerce	2.1	2.1	2.3	2.5	2.5	3.0	2.6	2.0	2.3	2.5	2.5	2.9	2.6
Defense - Military	245.4	258.4	276.7	295.0	319.3	344.0	369.0	263.5	274.4	291.1	310.0	326.1	344.0
Defense - Civil	18.8	20.6	21.5	22.9	24.0	25.2	26.3	20.6	21.1	22.2	23.3	24.5	25.5
Education	16.7	18.1	18.0	18.3	18.8	19.2	19.7	17.5	17.7	18.2	18.8	19.2	19.6
Energy	10.6	10.1	11.7	12.1	12.7	13.4	13.7	11.3	10.9	11.3	11.7	12.2	12.7
Health and Human Services, except social security	132.1	141.3	146.8	161.4	174.6	187.4	201.6	142.6	142.9	155.4	167.1	178.9	192.5
Health and Human Services, social security	183.4	192.0	206.5	219.8	232.9	247.7	257.3	191.3	200.8	212.0	225.0	238.8	248.0
Housing and Urban Development	28.7	16.5	16.6	17.5	17.8	18.4	19.1	14.9	14.3	14.6	14.4	14.7	14.9
Interior	4.8	4.6	4.4	4.5	4.5	4.6	4.6	5.1	4.8	4.8	4.8	4.9	4.9
Justice	3.6	3.9	3.9	3.9	3.9	4.0	4.0	3.8	4.0	4.0	4.1	4.1	4.2
Labor	23.9	23.3	23.7	24.3	24.7	25.0	25.3	23.6	23.2	23.9	24.1	24.5	25.0
State	2.6	2.8	2.9	3.0	3.1	3.1	3.2	2.8	3.3	3.4	3.5	3.5	3.5
Transportation	25.0	26.4	26.1	25.9	26.7	28.2	28.8	28.0	26.3	26.5	27.2	28.1	28.8
Treasury	165.1	183.2	191.1	196.9	194.5	189.7	187.3	181.7	184.1	191.3	194.8	194.7	191.1
Environmental Protection Agency	4.5	4.6	4.5	4.6	4.8	4.9	4.9	4.8	4.5	4.4	4.5	4.4	4.4
General Services Administration	-0.2	-*	0.4	-0.4	-0.3	-0.3	-0.3	0.2	-0.1	-0.6	-0.6	-0.6	-0.6
National Aeronautics and Space Administration	7.3	7.4	7.5	7.4	8.1	9.0	9.1	7.4	7.6	7.7	8.1	9.0	9.1
Office of Personnel Management	23.7	24.1	26.5	28.2	30.1	32.1	34.0	23.9	27.8	28.7	30.5	32.2	34.0

Table 19.--CURRENT SERVICES OUTLAYS BY AGENCY (continued)
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
Small Business Administration.....	0.7	0.9	1.1	1.2	1.3	1.4	1.4	0.6	0.7	0.7	0.8	0.9	0.9
Veterans Administration.	26.3	26.5	27.0	27.7	28.3	28.8	28.9	26.6	26.6	27.0	27.6	28.1	28.4
Other independent agencies.....	9.8	10.9	9.7	12.9	9.6	9.0	9.3	12.7	9.6	10.9	9.4	9.4	10.2
Allowances.....	---	---	---	1.4	3.2	5.3	7.3	9.3	---	2.4	6.3	8.2	10.6	13.0
Undistributed offsetting receipts:													
Interest received by on-budget trust funds	-22.1	-26.6	-30.2	-33.3	-35.8	-37.4	-38.5	-26.5	-29.9	-32.8	-35.9	-38.2	-40.1
Interest received by off-budget trust funds.....	-4.1	-4.4	-4.7	-6.3	-8.6	-10.8	-13.3	-4.3	-5.0	-7.0	-10.1	-13.0	-16.3
Interest received from Outer Continental Shelf escrow account.....	-*	-0.3	---	-2.5	-1.0	---	---	-1.1	-0.9	-0.6	---	---	---
Employer share, employee retirement:													
On-budget.....	-24.7	-26.3	-27.3	-28.7	-30.0	-31.4	-33.1	-26.3	-28.9	-33.5	-35.2	-37.1	-39.3
Off-budget.....	-2.5	-2.8	-3.2	-3.8	-4.3	-4.9	-5.5	-2.9	-3.4	-5.2	-5.7	-6.4	-6.9
Rents and royalties on the Outer Continental Shelf.....	-5.5	-5.5	-5.3	-8.2	-6.4	-5.6	-5.6	-5.3	-4.2	-3.9	-3.7	-3.9	-4.3
Sale of major physical assets (proposed)....	---	---	---	---	---	---	---	---	---	---	---	---	---
Total, undistributed offsetting receipts....	-59.0	-65.9	-70.7	-82.8	-86.1	-90.1	-96.0	-66.3	-72.3	-83.1	-90.6	-98.6	-107.0
Total current services outlays...	946.3	982.0	1025.9	1077.3	1128.1	1179.3	1224.1	995.4	999.1	1053.9	1099.2	1140.2	1174.7
ADDENDUM:													
On-budget.....	(769.5)	(797.3)	(827.4)	(867.6)	(908.1)	(947.4)	(984.4)	(811.2)	(806.7)	(854.1)	(890.0)	(920.8)	(949.9)
Off-budget.....	(176.8)	(184.7)	(198.6)	(209.7)	(220.0)	(232.0)	(238.6)	(184.2)	(192.4)	(199.8)	(209.2)	(219.4)	(224.8)

* $50 million or less.

Table 20.--CURRENT SERVICES OUTLAYS BY FUNCTION
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
National defense.....	252.7	265.8	284.9	303.7	328.6	354.1	379.4	271.4	282.2	299.1	318.3	334.9	353.3
Department of Defense--Military...	(245.4)	(358.4)	(276.7)	(295.0)	(319.3)	(344.0)	(369.0)	(263.5)	(274.4)	(291.1)	(310.0)	(326.1)	(344.0)
Other.....	(7.4)	(7.4)	(8.2)	(8.7)	(9.3)	(10.1)	(10.4)	(7.9)	(7.8)	(7.9)	(8.3)	(8.8)	(9.3)
International affairs..	16.2	17.1	17.1	17.0	16.5	16.1	16.7	16.3	16.7	16.0	17.3	16.8	17.3
General science, space, and technology.....	8.6	8.9	9.0	9.0	9.8	10.7	10.9	9.0	9.1	9.3	9.8	10.7	10.8
Energy.....	5.7	4.5	5.1	5.2	4.9	4.9	5.3	5.6	4.0	5.6	5.2	5.5	5.9
Natural resources and environment.....	13.4	12.9	12.6	12.9	13.0	12.9	12.8	13.5	12.9	13.2	13.1	13.0	12.9
Agriculture.....	25.6	25.9	21.6	21.4	21.1	18.5	14.4	31.9	21.0	26.1	26.0	23.9	20.8
Commerce and housing credit.....	4.2	4.2	2.9	6.6	3.5	3.2	2.4	6.3	0.6	1.6	-0.2	-0.3	-1.0
Transportation.....	25.8	27.2	26.9	26.7	27.5	29.0	29.6	28.7	27.1	27.3	28.0	28.8	29.6
Community and regional development.....	7.7	8.1	7.6	7..	7.9	7.8	7.9	7.8	7.7	7.4	7.2	7.3	7.5
Education, training, employment, and social services.....	29.3	31.0	30.7	31.4	32.1	32.8	33.6	30.4	30.5	31.3	32.1	32.9	33.5
Health.....	33.5	35.9	38.7	41.4	44.1	46.9	49.7	36.4	39.1	40.7	43.9	46.9	49.8
Medicare.....	65.8	68.7	74.9	83.8	93.7	104.2	115.4	69.0	70.2	79.4	86.5	95.6	105.4
Income security.....	128.2	119.6	123.4	130.4	134.6	138.6	143.9	119.7	122.5	126.6	131.5	135.3	140.2
Social security.....	188.6	200.0	212.2	226.2	240.1	255.0	263.8	199.5	206.3	218.1	231.9	245.7	254.6
On-budget.....	(5.2)	(8.1)	(5.7)	(6.4)	(7.2)	(7.4)	(6.5)	(8.2)	(5.5)	(6.1)	(6.9)	(6.9)	(6.6)
Off-budget.....	(183.4)	(192.0)	(206.5)	(219.8)	(232.9)	(247.7)	(257.4)	(191.3)	(200.8)	(212.0)	(225.0)	(238.8)	(248.0)
Veterans benefits and services.....	26.4	26.6	27.1	28.0	28.5	29.0	29.1	26.7	26.7	27.3	27.8	28.3	28.6
Administration of justice.....	6.3	6.9	6.9	7.0	7.1	7.2	7.3	6.8	7.1	7.2	7.3	7.4	7.5
General government.....	5.2	5.7	6.5	5.5	5.4	5.4	5.5	6.5	6.0	5.9	5.8	5.8	5.8
General purpose fiscal assistance.....	6.4	6.2	2.8	2.2	2.3	2.4	2.5	5.6	2.7	1.9	2.0	2.0	2.1

Table 20.--CURRENT SERVICES OUTLAYS BY FUNCTION (continued)
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
Net interest.....	129.4	141.5	149.2	148.7	142.8	135.1	128.6	138.9	140.9	144.1	142.1	136.5	127.6
On-budget.....	(133.6)	(145.9)	(153.9)	(155.0)	(151.5)	(145.9)	(141.9)	(143.2)	(145.[illegible])	(151.1)	(152.2)	(149.5)	(143.9)
Off-budget.....	(-4.1)	(-4.4)	(-4.7)	(-6.3)	(-8.6)	(-10.8)	(-13.3)	(-4.3)	(-5.0)	(-7.0)	(-10.1)	(-13.0)	(-16.3)
Allowances.....	---	---	1.4	3.2	5.3	7.3	9.3	---	2.4	6.3	8.2	10.6	13.0
Undistributed offsetting receipts:													
Employer share, employee retirement:													
On-budget.....	-24.7	-26.3	-27.3	-28.7	-30.0	31.4	-33.1	-26.3	-28.9	-33.5	-35.2	-37.1	-39.3
Off-budget.....	-2.5	-2.8	-3.2	-3.8	-4.3	-4.9	-5.4	-2.9	-3.4	-5.2	-5.7	-6.4	-6.9
Rents and royalties on the Outer Continental Shelf...	-5.5	-5.4	-5.3	-8.2	-6.4	-5.6	-5.6	-5.3	-4.2	-3.9	-3.7	-3.9	-4.3
Sale of major physical assets (proposed).....	---	---	---	---	---	---	---	---	---	---	---	---	---
Subtotal, undistributed offsetting receipts.....	-32.8	-34.6	-35.8	-40.7	-40.7	-41.9	-44.2	-34.5	-36.5	-42.6	-44.6	-47.4	-50.6
Total current services outlays..	946.3	982.0	1025.9	1077.3	1128.1	1179.3	1224.1	995.4	999.1	1053.9	1099.2	1140.2	1174.7
ADDENDUM:													
On-budget.....	(769.5)	(797.3)	(827.4)	(867.6)	(908.1)	(947.4)	(985.4)	(811.2)	(806.7)	(854.1)	(890.0)	(920.8)	(949.9)
Off-budget.....	(176.8)	(184.7)	(198.6)	(209.7)	(220.0)	(232.0)	(238.6)	(184.2)	(192.4)	(199.8)	(209.2)	(219.4)	(224.8)

Table 21.--CURRENT SERVICES BUDGET AUTHORITY BY AGENCY
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
Legislative Branch.....	1.7	1.8	2.0	2.0	2.0	2.1	2.1	1.7	2.0	2.0	2.0	2.1	2.1
The Judiciary.....	1.1	1.1	1.2	1.3	1.3	1.3	1.4	1.0	1.2	1.3	1.3	1.3	1.4
Executive Office of the President.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Funds appropriated to the President.....	20.5	15.3	14.2	13.6	13.5	13.3	13.3	15.9	14.6	14.1	14.0	13.6	13.5
Agriculture.....	61.9	57.6	53.1	56.7	58.9	56.9	52.7	61.9	52.6	56.8	61.5	59.5	56.7
Commerce.....	2.3	2.0	2.3	2.4	2.4	3.2	2.3	2.0	2.3	2.4	2.4	3.2	2.3
Defense - Military.....	286.8	278.4	314.7	337.5	361.5	386.8	412.6	278.3	290.8	309.8	329.8	350.2	371.1
Defense - Civil.....	30.4	34.0	36.6	39.1	41.3	44.1	46.6	34.0	36.6	39.0	41.1	43.7	46.3
Education.....	19.1	17.8	18.5	18.9	19.3	19.6	20.2	17.9	18.1	18.8	19.3	19.7	20.0
Energy.....	12.6	9.9	11.6	12.8	13.4	14.0	14.5	10.5	10.9	11.7	12.2	12.9	13.4
Health and Human Services, except social security.....	141.1	155.2	155.7	170.4	183.4	195.2	206.9	156.3	154.4	169.0	182.3	194.1	207.2
Health and Human Services, social security.....	191.0	194.6	221.9	252.7	275.7	301.8	325.0	197.4	223.5	255.2	280.4	308.2	331.4
Housing and Urban Development.....	31.4	16.3	18.2	19.0	19.4	21.2	37.0	16.1	18.0	18.7	19.1	20.0	43.7
Interior.....	5.0	4.2	4.3	4.4	4.5	4.7	4.6	4.7	4.7	4.8	4.9	5.1	5.0
Justice.....	3.8	3.9	4.0	4.0	4.1	4.1	4.2	3.9	4.0	4.0	4.1	4.1	4.2
Labor.....	27.7	27.6	28.9	28.0	26.8	27.7	28.3	28.1	27.7	25.9	25.7	26.5	26.8
State.....	3.6	3.4	3.4	3.5	3.6	3.7	3.8	4.1	3.7	3.8	3.9	4.0	4.1
Transportation.....	28.8	27.2	27.8	28.8	29.7	30.1	30.7	28.1	27.7	28.6	29.5	29.9	30.5
Treasury.....	166.3	183.2	190.8	197.1	194.8	190.0	187.5	182.1	183.7	191.5	195.2	195.0	191.2
Environmental Protection Agency.....	4.3	2.8	4.8	4.9	5.1	5.1	5.2	4.0	4.1	4.2	4.3	4.4	4.4
General Services Administration.....	0.3	0.2	0.7	0.3	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.3
National Aeronautics and Space Administration.....	7.6	7.3	7.6	7.9	8.8	9.3	9.1	7.8	7.7	7.9	8.8	9.3	9.1
Office of Personnel Management.....	41.6	43.5	45.0	48.0	50.7	52.6	55.0	43.5	45.4	48.5	50.9	53.3	55.8
Small Business Administration.....	1.3	0.9	1.2	1.2	1.3	1.4	1.4	0.7	0.8	0.8	0.9	0.9	1.2

Table 21.--CURRENT SERVICES BUDGET AUTHORITY BY AGENCY (continued)
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
Veterans Administration	27.3	27.0	27.3	28.0	28.7	29.1	29.3	27.0	26.8	27.3	28.0	28.4	28.8
Other independent agencies	15.5	17.0	15.9	17.5	15.6	15.9	16.0	15.2	15.7	18.4	17.9	18.4	19.0
Allowances	---	---	1.5	3.3	5.3	7.4	9.4	---	2.4	6.3	8.2	10.7	13.1
Undistributed offsetting receipts:													
Interest received by on-budget trust funds	-22.1	-26.6	-30.2	-33.3	-35.8	-37.4	-38.5	-26.5	-29.9	-32.8	-35.9	-38.2	-40.1
Interest received by off-budget trust funds	-4.1	-4.4	-4.7	-6.3	-8.6	-10.8	-13.3	-4.3	-5.0	-7.0	-10.1	-13.0	-16.3
Interest received from Outer Continental Shelf escrow account	-*	-0.3	---	-2.5	-1.0	---	---	-1.1	-0.9	-0.6	---	---	---
Employer share, employee retirement:													
On-budget	-24.7	-26.3	-27.3	-28.7	-30.0	-31.4	-33.1	-26.3	-28.9	-33.5	-35.2	-37.1	-39.3
Off-budget	-2.5	-2.8	-3.2	-3.8	-4.3	-4.9	-5.5	-2.9	-3.4	-5.2	-5.7	-6.4	-6.9
Rents and royalties on the Outer Continental Shelf	-5.5	-5.5	-5.3	-8.2	-6.4	-5.6	-5.6	-5.3	-4.2	-3.9	-3.7	-3.9	-4.3
Sale of major physical assets (proposed)	---	---	---	---	---	---	---	---	---	---	---	---	---
Total, undistributed offsetting receipts	-59.0	-65.9	-70.7	-82.8	-86.1	-90.1	-96.0	-66.3	-72.3	-83.1	-90.6	-98.6	-107.0
Total current services budget authority	1074.1	1066.4	1142.4	1220.7	1285.4	1351.0	1423.6	1076.4	1107.5	1188.2	1257.8	1320.3	1395.7
ADDENDUM:													
On-budget	(889.7)	(879.1)	(928.4)	(978.1)	(1022.7)	(1064.9)	(1117.2)	(886.1)	(892.4)	(945.2)	(993.2)	(1031.5)	(1087.4)
Off-budget	(184.3)	(187.3)	(214.0)	(242.6)	(262.8)	(286.2)	(306.3)	(190.3)	(215.1)	(243.0)	(264.6)	(288.9)	(308.3)

* $50 million or less.

Table 22.--CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
National defense.....	294.7	286.1	323.4	346.8	371.5	397.2	423.5	286.0	299.0	318.4	338.8	359.7	381.0
Department of Defense--Military...	(286.8)	(278.4)	(314.7)	(337.5)	(361.5)	(386.8)	(412.6)	(278.3)	(290.8)	(309.8)	(329.8)	(350.2)	(371.1)
Other.....	(7.9)	(7.7)	(8.8)	(9.4)	(10.0)	(10.4)	(10.9)	(7.8)	(8.2)	(8.6)	(9.0)	(9.5)	(9.9)
International affairs..	26.5	20.0	20.0	20.1	20.6	20.9	21.0	21.3	20.1	20.6	20.4	20.2	20.4
General science, space, and technology.....	9.2	8.8	9.2	9.6	10.5	11.1	11.0	9.3	9.3	9.6	10.5	11.1	10.9
Energy.....	8.8	5.9	6.5	7.3	7.1	7.3	7.5	7.0	6.9	7.3	7.1	7.5	7.8
Natural resources and environment.....	13.3	10.4	12.6	13.0	13.2	13.2	13.2	12.0	12.4	12.8	12.9	13.0	13.0
Agriculture.....	27.5	28.1	21.2	24.1	25.1	21.9	17.0	31.7	22.1	26.4	30.3	27.2	23.8
Commerce and housing credit.....	12.1	10.0	10.8	11.9	10.9	12.1	11.6	8.4	9.0	8.3	8.3	9.3	8.7
Transportation.....	29.6	27.9	28.6	29.5	30.4	30.8	31.4	28.9	28.5	29.4	30.2	30.7	31.3
Community and regional development.....	8.2	7.3	7.4	7.8	7.9	8.3	8.4	7.3	7.2	7.6	7.6	8.0	8.3
Education, training, employment, and social services.....	32.4	30.2	31.4	32.1	32.8	33.5	34.3	30.3	31.0	32.1	32.9	33.5	34.1
Health.....	33.6	36.4	38.3	41.4	44.3	47.0	49.8	37.0	38.3	40.7	43.9	47.1	50.0
Medicare.....	71.7	86.6	83.8	92.7	102.4	111.9	120.7	86.8	81.8	93.0	101.6	110.7	120.1
Income security.....	164.1	156.3	163.1	170.1	174.0	180.8	203.3	157.2	163.8	170.0	176.3	182.8	213.0
Social security.....	199.5	199.4	227.6	259.1	282.9	309.2	331.5	202.4	229.0	261.4	287.3	315.1	338.1
On-budget.....	(8.5)	(4.8)	(5.7)	(6.4)	(7.2)	(7.4)	(6.5)	(5.0)	(5.5)	(6.1)	(6.9)	(6.9)	(6.6)
Off-budget.....	(191.0)	(194.6)	(221.9)	(252.7)	(275.7)	(301.8)	(325.0)	(197.4)	(223.5)	(255.2)	(280.4)	(308.2)	(331.4)
Veterans benefits and services.....	27.4	27.4	27.6	28.3	28.8	29.2	29.3	27.4	27.1	27.6	28.1	28.5	28.9
Administration of justice.....	6.7	6.8	7.1	7.2	7.3	7.4	7.5	6.8	7.1	7.2	7.3	7.4	7.5

Table 22.--CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION (continued)
(in billions of dollars)

	Actual	February Estimate						Current Estimate					
	1985	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
General government.....	6.0	5.8	6.9	6.1	6.1	6.2	6.2	6.5	6.3	6.4	6.5	6.6	6.6
General purpose fiscal assistance.....	6.3	6.0	2.1	2.2	2.3	2.4	2.5	5.4	1.9	1.9	2.0	2.0	2.1
Net interest.....	129.4	141.5	149.2	148.7	142.8	135.1	128.7	138.9	140.9	144.1	142.1	136.5	127.6
On-budget.....	(133.6)	(145.9)	(153.9)	(155.0)	(151.5)	(145.9)	(141.9)	(143.2)	(145.9)	(151.1)	(152.2)	(149.5)	(143.9)
Off-budget.....	(-4.1)	(-4.4)	(-4.7)	(-6.3)	(-8.6)	(-10.8)	(-13.3)	(-4.3)	(-5.0)	(-7.0)	(-10.1)	(-13.0)	(-16.3)
Allowances.....	---	---	---	1.5	3.3	5.3	7.4	9.4	---	2.4	6.3	8.2	10.7	13.1
Undistributed offsetting receipts:													
Employer share, employee retirement													
On-budget.....	-24.7	-26.3	-27.3	-28.7	-30.0	-31.4	-33.1	-26.3	-28.9	-33.5	-35.2	-37.1	-39.3
Off-budget.....	-2.5	-2.8	-3.2	-3.8	-4.3	-4.9	-5.5	-2.9	-3.4	-5.2	-5.7	-6.4	-6.9
Rents and royalties on the Outer Continental Shelf...	-5.5	-5.5	-5.3	-8.2	-6.4	-5.6	-5.6	-5.3	-4.2	-3.9	-3.7	-3.9	-4.3
Sale of major physical assets (proposed).....	---	---	---	---	---	---	---	---	---	---	---	---	---
Total, Undistributed offsetting receipts.....	-32.8	-34.6	-35.8	-40.7	-40.7	-41.9	-44.2	-34.5	-36.5	-42.6	-44.6	-47.4	-50.6
Total current services budget authority.....	1074.1	1066.4	1142.4	1220.7	1285.4	1351.0	1423.6	1076.4	1107.5	1188.2	1257.8	1320.3	1395.7
ADDENDUM:													
On-budget.....	(889.7)	(879.1)	(928.4)	(978.1)	(1022.7)	(1064.9)	(1117.2)	(886.1)	(892.4)	(945.2)	(993.2)	(1031.5)	(1087.4)
Off-budget.....	(184.3)	(187.3)	(214.0)	(242.6)	(262.8)	(286.1)	(306.3)	(190.3)	(215.1)	(243.0)	(264.6)	(288.9)	(308.3)

Table 23.--FEDERAL GOVERNMENT FINANCING AND DEBT
(In billions of dollars)

	1985 Actual	1986 Estimate		1987 Estimate	
		February	Current	February	Current
Financing					
Surplus or deficit (-)	-212.3	-202.8	-230.2	-143.6	-143.9
On-budget	(-221.6)	(-216.0)	(-247.0)	(-159.3)	(-166.2)
Off-budget	(9.4)	(13.2)	(16.8)	(15.7)	(22.3)
Means of financing other than borrowing from the public:					
Decrease or increase (-) in Treasury operating cash balance	13.4	-2.9	-2.9	---	---
Increase or decrease (-) in:					
Checks outstanding, etc. 1/	-1.0	0.4	1.4	1.5	2.6
Deposit fund balances	2.1	0.7	-3.4	-0.1	-2.6
Seigniorage on coins	0.5	0.4	0.4	0.5	0.4
Total, means of financing other than borrowing from the public	15.0	-1.4	-4.5	2.0	0.4
Total, requirements for borrowing from the public	-197.3	-204.2	-234.7	141.7	-143.5
Change in debt held by the public	197.3	204.2	234.7	141.7	143.5
Debt Outstanding, End of Year					
Gross Federal debt:					
Debt issued by Treasury	1,823.1	2,107.8	2,136.4	2,316.7	2,350.9
Debt issued by other agencies	4.4	4.2	4.2	4.0	4.0
Total, gross Federal debt	1,827.5	2,112.0	2,140.6	2,320.6	2,354.9
Held by:					
Government accounts	317.6	398.0	396.0	464.9	466.8
The public	1,509.9	1,714.0	1,744.6	1,855.7	1,888.1
Debt Subject to Statutory Limit, End of Year					
Debt issued by Treasury	1,823.1	2,107.8	2,136.4	2,316.7	2,350.9
Treasury debt not subject to limit (-) 2/	-0.6	-0.6	-0.6	-0.6	-0.6
Agency debt subject to limit	1.3	1.3	1.3	1.3	1.3
Total, debt subject to statutory limit 2/	1,823.8	2,108.5	2,137.0	2,317.4	2,351.6

1/ Besides checks outstanding, includes accrued interest payable on Treasury debt, miscellaneous liability accounts, allocations of special drawing rights, and, as an offset, cash and monetary assets other than the Treasury operating cash balance, miscellaneous asset accounts, and profit from the sale of gold.

2/ The estimated Treasury debt not subject to limit -- and therefore the estimated total debt subject to statutory limit -- do not reflect the issuance of Federal Financing Bank securities that may be needed to meet Treasury financing requirements under the current debt limit. These securities are not subject to the general statutory limit. The statutory debt limit was increased to $2,078.7 billion as of December 12, 1985 (Public Law 99-177).

MID-SESSION UPDATE OF THE PRESIDENT'S BUDGET

98

August 6, 1986

A. HIGHLIGHTS OF THE MID-SESSION REVIEW

The Mid-Session Review updates estimates shown in the FY 1987 Budget published in February. This update reflects changes in the economic assumptions, technical reestimates, legislation enacted since February, inaction by Congress on certain of the Administration's proposals, and minor changes in Administration requests.

Changes in the economic assumptions were in response to several major developments in the first half of this year that altered the near-term outlook for the economy and the budget: the weaker-than-expected economic activity, the marked deceleration in the rate of inflation (partly in response to the sharp fall in oil prices), and the decline in interest rates.

For calendar year 1987, real GNP growth was raised somewhat relative to the February budget on the premise that the fundamentals for an economic turnaround have improved due to lower inflation and the sharp appreciation in foreign currencies relative to the dollar. The profile of the economic assumptions during FY 1988 thru FY 1991 is essentially unchanged from that depicted by the February budget.

The revisions in the economic assumptions have had large effects on estimated budget receipts and outlays. Lower-than-expected nominal GNP, personal income, and corporate profits reduce tax receipts by $11.9 billion in FY 1986 and $19.2 billion in FY 1987. Furthermore, the fall in oil prices has eliminated the windfall profit tax receipts.

The falloff in receipts for FY 1987 is only partially offset by reductions in outlays due to economic assumptions. These reductions include $8.8 billion in lower interest costs, $5.5 billion in lower COLAs, and additional savings from various policy and technical adjustments. Overall, the Mid-Session Review re-estimate of the President's Budget shows FY 1987 thru FY 1989 deficits not substantially different from those in the February Budget.

TABLE 1
CHANGES IN PRESIDENT'S BUDGET ESTIMATES
(in billions of dollars, by fiscal years)

	1986	1987	1988	1989	1990	1991
RECEIPTS						
February budget	777.1	850.4	933.2	996.1	1058.1	1124.0
Changes due to:						
Economic assumptions	-11.0	-19.7	-16.3	-7.4	-6.2	-11.1
Technical reestimates	-0.7	0.9	0.6	-0.5	1.0	-0.4
Policy adjustments	-0.3	-0.4	0.7	-0.6	-0.5	0.7
Total changes	-11.9	-19.2	-15.0	-8.5	-5.7	-10.8
Current estimate	765.2	831.2	918.2	987.6	1052.4	1113.3
OUTLAYS						
February budget	979.9	994.0	1026.8	1063.6	1093.8	1122.7
Changes:						
National defense	5.6	-0.1	*	-4.0	-9.9	-13.0
Nondefense:						
Economic assumptions	-0.5	-12.7	-13.0	-12.1	-9.4	-11.2
Technical reestimates	8.5	-3.9	1.0	5.6	7.3	8.2
Policy adjustments	1.9	-2.2	0.9	-4.5	-6.3	-0.9
Total changes	15.5	-18.9	-11.1	-14.9	-18.4	-16.9
Current estimate	995.4	975.1	1015.7	1048.7	1075.4	1105.8
DEFICIT						
February budget	-202.8	-143.6	-93.6	-67.5	-35.8	1.3
Changes:						
National defense	-5.6	0.1	*	4.0	9.9	13.0
Nondefense:						
Economic assumptions	-10.5	-7.0	-3.3	4.7	3.2	0.1
Technical reestimates	-9.2	4.8	-0.4	-6.1	-6.3	-8.6
Policy adjustments	-2.2	1.8	-0.2	3.9	5.8	1.6
Total changes	-27.4	-0.3	-3.9	6.4	12.7	6.1
Current estimate	-230.2	-143.9	-97.5	-61.1	-23.0	7.4

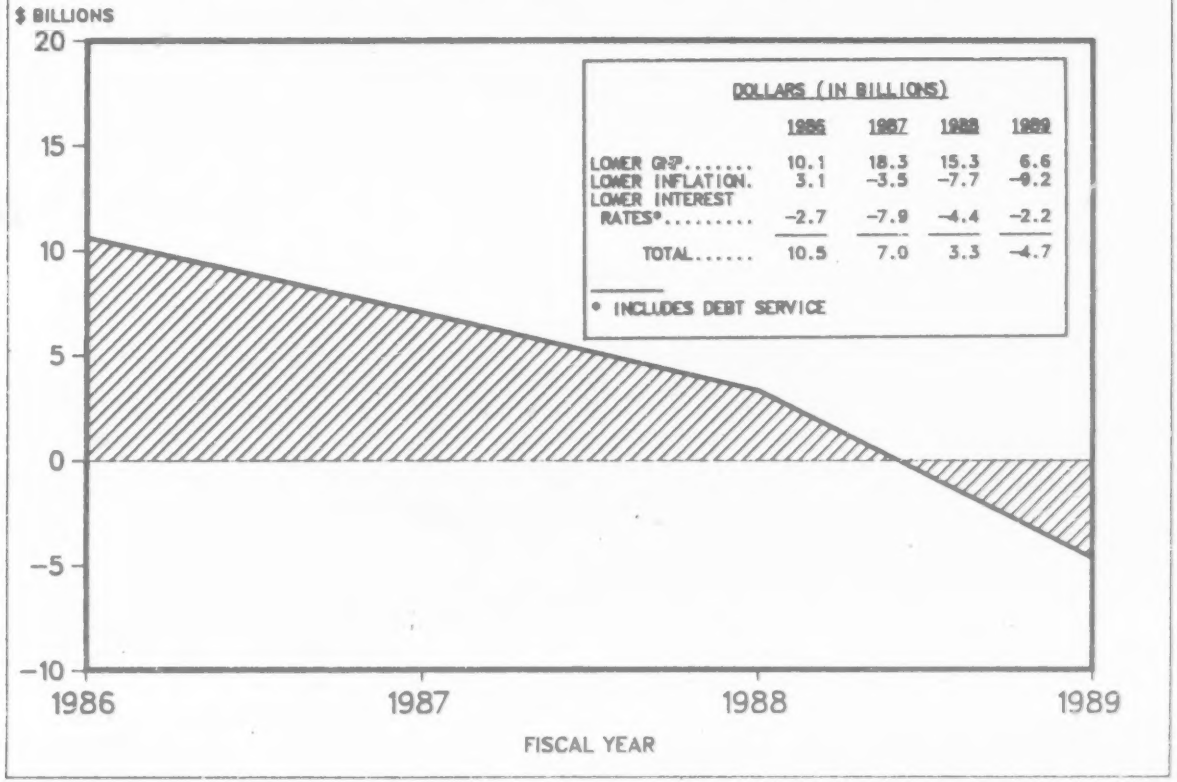
B. SUMMARY OF ECONOMIC ASSUMPTIONS

GNP:	Real GNP growth for the four quarters of CY 1986 is assumed in the Mid-Session Review to be 3.2 percent, compared to the 4.0 percent rate assumed in the February budget. In coming quarters, however, the favorable effects of lower oil prices, together with lower interest rates and the marked appreciation in foreign currencies relative to the dollar, should produce faster economic growth in FY 1987 than assumed in the budget.
Inflation:	In part because of the fall in oil prices, inflation has been lower than assumed in the budget. The Mid-Session Review assumes 2.4 percent during CY 1986 vs. 3.8 percent in the February budget. Inflation rates are expected to remain below those assumed in the budget through the end of FY 1987.
Interest Rates:	Interest rates have fallen faster than assumed in the budget. Currently, short- and long-term Treasury rates are more than one percentage point below the budget assumptions. By the fourth quarter of this calendar year, the Treasury bill rate is expected to be 6.0 percent -- well below the 7.2 percent assumed in February.
Deficit Impact:	The most significant impact of these changes is to reduce substantially our estimates of budget receipts. Reduced debt service and lower inflation produce outlay savings that partly offset the receipts shortfall. Overall, economic adjustments increase the deficit estimate in FY 1986 thru FY 1988, and reduce it slightly in FY 1989.

TABLE 2
ECONOMIC ASSUMPTIONS: MID-SESSION REVIEW VS. FEBRUARY BUDGET

	1986	1987	1988	1989	1990	1991
FY Nominal GNP ($ in billions)						
- Mid-Session Review	4,166	4,449	4,805	5,163	5,510	5,835
- February Budget	4,192	4,538	4,903	5,269	5,623	5,955
CY Real GNP Growth (4th/4th)						
- Mid-Session Review	3.2	4.2	4.0	3.8	3.6	3.5
- February Budget	4.0	4.0	4.0	3.7	3.6	3.5
CY GNP Deflator (4th/4th)						
- Mid-Session Review	2.4	3.7	3.5	3.2	2.5	2.0
- February Budget	3.8	4.1	3.6	3.2	2.5	2.0
CY 91-Day T-Bills (4th Quarter)						
- Mid-Session Review	6.0	6.1	5.4	5.0	4.2	4.0
- February Budget	7.2	6.1	5.3	4.5	4.1	4.0
CY Unemployment Rate (4th Quarter)						
- Mid-Session Review	6.7	6.5	6.2	6.0	5.7	5.5
- February Budget	6.7	6.5	6.2	6.0	5.7	5.5

EFFECTS ON DEFICIT OF ECONOMIC ASSUMPTIONS



DOLLARS (IN BILLIONS)

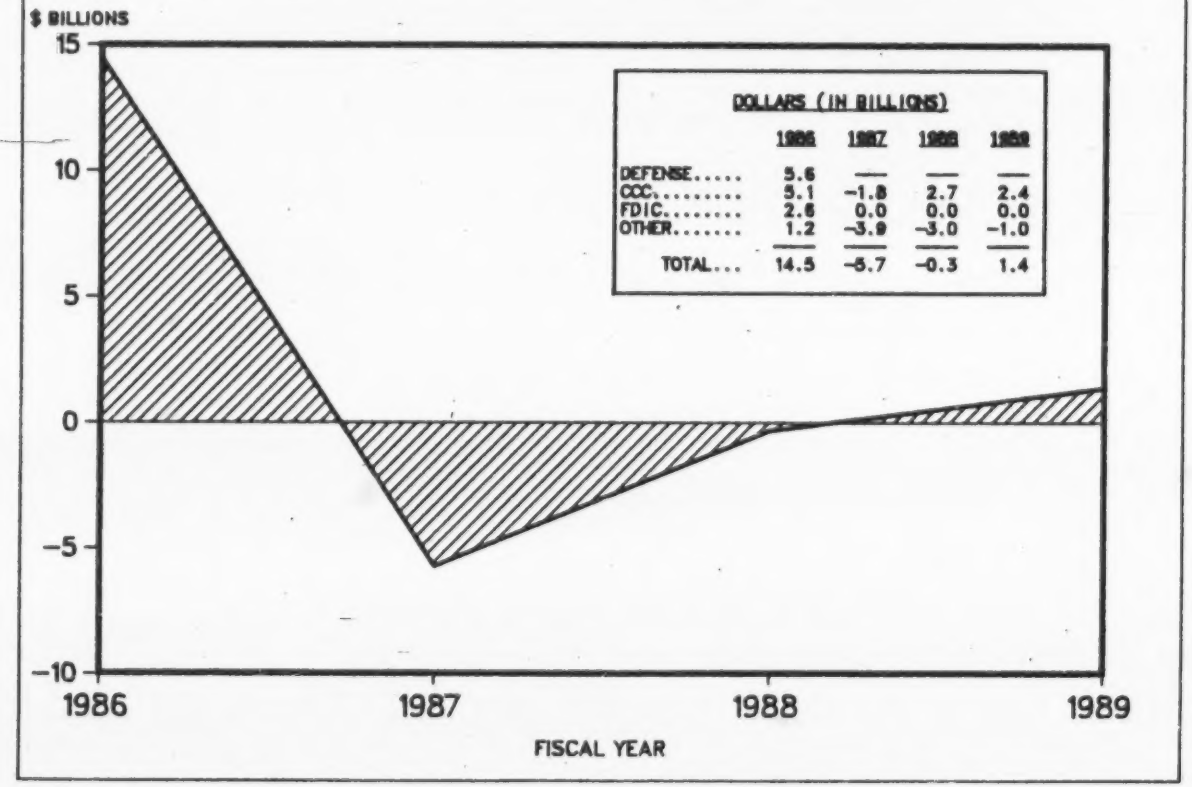
	1986	1987	1988	1989
LOWER GNP.....	10.1	18.3	15.3	6.6
LOWER INFLATION.	3.1	-3.5	-7.7	-9.2
LOWER INTEREST RATES*.....	-2.7	-7.9	-4.4	-2.2
TOTAL.....	10.5	7.0	3.3	-4.7

* INCLUDES DEBT SERVICE

C. SUMMARY OF TECHNICAL RE-ESTIMATES

Defense:	Outlays for FY 1986 exceed levels assumed in the February budget by $5.6 billion as a result of faster-than-projected spendouts.
CCC:	Outlays for FY 1986 are higher by $5.1 billion and those for FY 1987 are lower by $1.8 billion as a result of additional advanced deficiency payments and new crop forecasts.
FDIC:	Outlays for FY 1986 are $2.6 billion above the February estimate as a result of higher-than-expected bank failures.
Other:	Outlays for FY 1986 are higher by $0.5 billion as a result of faster-than-anticipated spendouts. Receipts for FY 1986 are $0.7 billion lower than the levels projected last February.

EFFECTS ON DEFICIT OF TECHNICAL RE-ESTIMATES



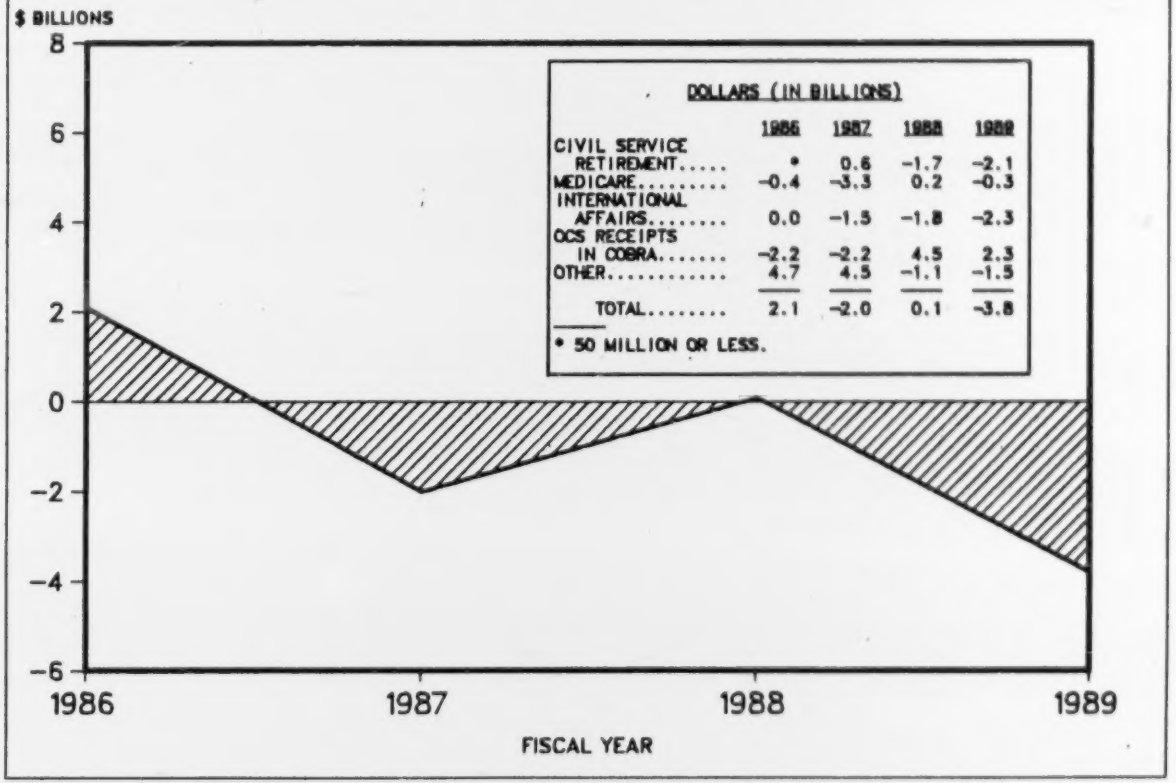
DOLLARS (IN BILLIONS)

	1986	1987	1988	1989
DEFENSE.....	5.6	—	—	—
CCC.....	5.1	-1.8	2.7	2.4
FDIC.....	2.6	0.0	0.0	0.0
OTHER.....	1.2	-3.9	-3.0	-1.0
TOTAL...	14.5	-5.7	-0.3	1.4

D. SUMMARY OF POLICY ADJUSTMENTS

Civil Service Retirement:	The new Civil Service Retirement law covers Civil Service employees hired after December 31, 1983. In the short run, the new law produces savings through employee contributions to a thrift plan. Over the long run, savings of 10 percent of retirement costs will be achieved relative to the old system.
Medicare:	New regulations eliminate the periodic interim payments (PIP) to hospitals and, because hospital costs increased less than expected, grant an update in rates for hospital admissions of 0.5 percent rather than the 2.0 percent figure assumed in February, producing FY 1987 savings of $3.3 billion.
International Affairs:	The Mid-Session Review assumes an FY 1987 budget authority level consistent with the Congressional Budget Resolution, including a portion of the special reserve fund.
Outer-Continental Shelf Receipts:	Settlement of disputes with States, contained in the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), results in lower FY 1986 and FY 1987 outlays, but substantially higher outlays in the out-years.
Other:	Passage of the Urgent Supplemental Appropriations Act of 1986, miscellaneous provisions of COBRA, Congressional inaction on rescissions, and the Administration's decision to propose legislation eliminating the social security cost-of-living adjustment trigger account for most of the remaining policy changes.

EFFECTS ON DEFICIT OF POLICY ADJUSTMENTS



DOLLARS (IN BILLIONS)

	1986	1987	1988	1989
CIVIL SERVICE RETIREMENT.....	*	0.6	-1.7	-2.1
MEDICARE.....	-0.4	-3.3	0.2	-0.3
INTERNATIONAL AFFAIRS.....	0.0	-1.5	-1.8	-2.3
OCS RECEIPTS IN COBRA.....	-2.2	-2.2	4.5	2.3
OTHER.....	4.7	4.5	-1.1	-1.5
TOTAL.....	2.1	-2.0	0.1	-3.8

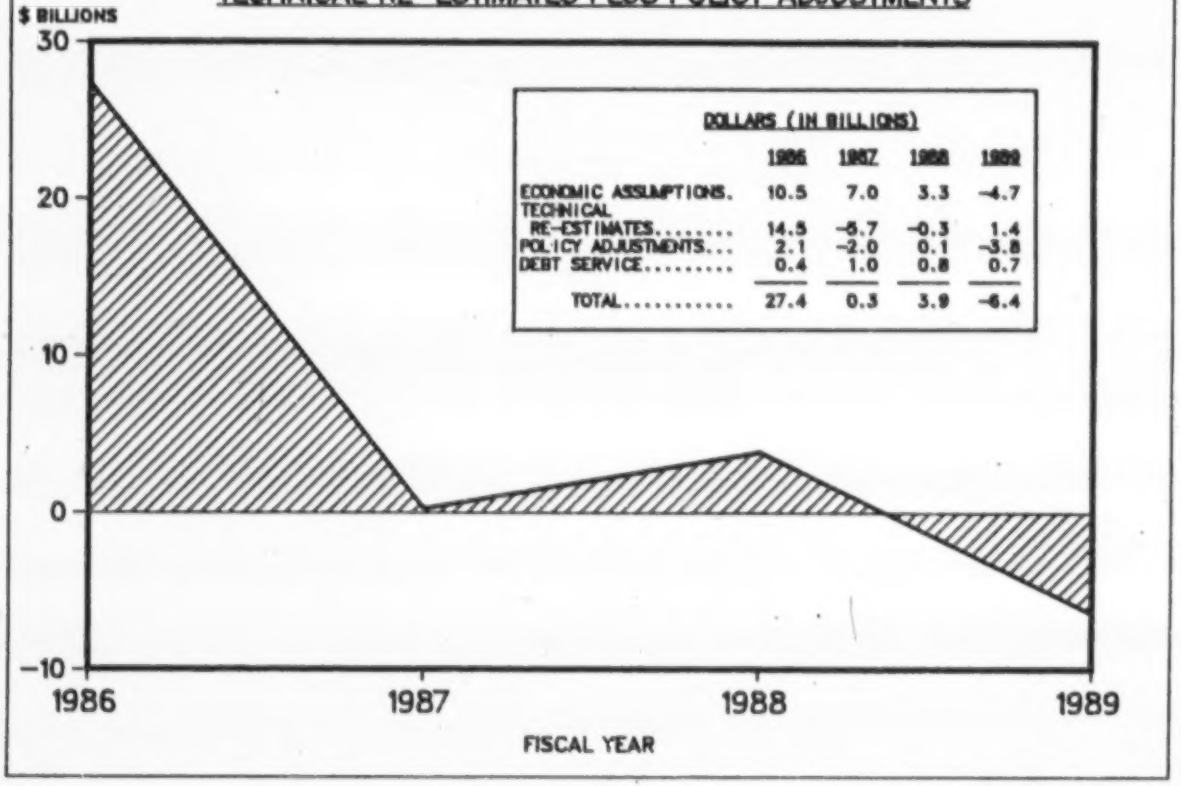
* 50 MILLION OR LESS.

E. MID-SESSION REVIEW SUMMARY

- FY 1986 deficit situation has worsened markedly. Lower GNP has reduced receipts. Outlays have increased for Defense, CCC, and a few other programs.

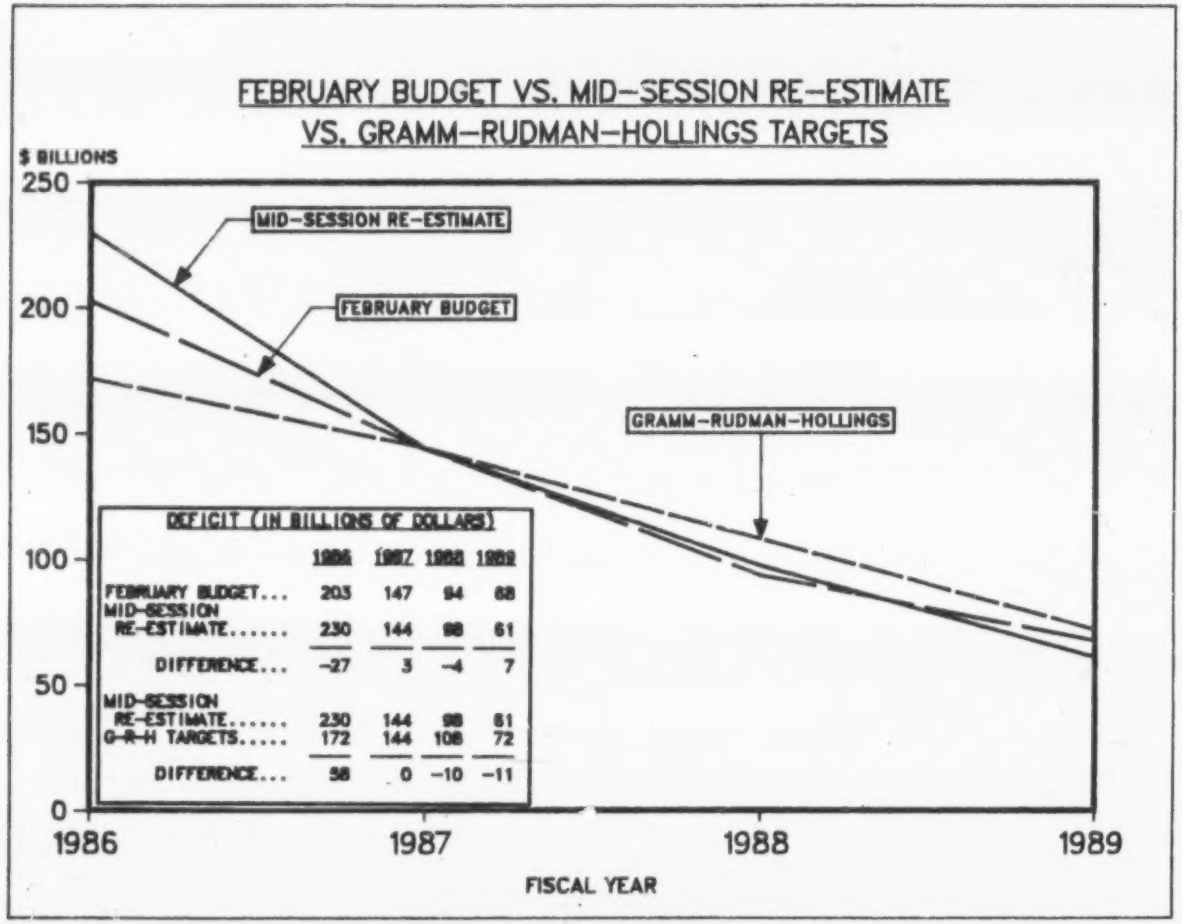
- Out-year deficits are not changed substantially. Effects of lower interest rates and cost-of-living adjustments, plus various technical and policy adjustments, offset lower-than-anticipated receipts.

EFFECTS ON DEFICIT OF: ECONOMIC ASSUMPTIONS PLUS TECHNICAL RE-ESTIMATES PLUS POLICY ADJUSTMENTS



DOLLARS (IN BILLIONS)

	1986	1987	1988	1989
ECONOMIC ASSUMPTIONS.	10.5	7.0	3.3	-4.7
TECHNICAL RE-ESTIMATES.....	14.5	-5.7	-0.3	1.4
POLICY ADJUSTMENTS...	2.1	-2.0	0.1	-3.8
DEBT SERVICE.....	0.4	1.0	0.8	0.7
TOTAL.....	27.4	0.3	3.9	-6.4



DEFICIT (IN BILLIONS OF DOLLARS)

	1986	1987	1988	1989
FEBRUARY BUDGET...	203	147	94	68
MID-SESSION RE-ESTIMATE.....	230	144	98	61
DIFFERENCE...	-27	3	-4	7
MID-SESSION RE-ESTIMATE.....	230	144	98	61
G-R-H TARGETS.....	172	144	108	72
DIFFERENCE...	58	0	-10	-11